

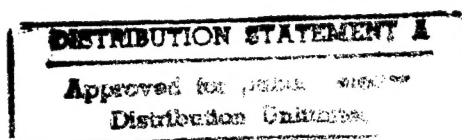
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# China Report

ECONOMIC AFFAIRS



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## NATIONAL POLICY AND ISSUES

### COMMODITY ECONOMY IN UNDERDEVELOPED AREAS DISCUSSED

Beijing JINGJI CANKAO in Chinese 5 Apr 85 p 2

[Article: "Do Not Belittle Local and Nearby Markets--Yu Guangyuan Writes Article on the Commodity Economy in Underdeveloped Areas"]

[Text] On 24 March, TUANJI BAO of the Xiangxi Autonomous Prefecture in Hunan Province carried an article entitled "Do Not Belittle Local and Nearby Markets," written by Yu Guangyuan on his inspection to Xiangxi, in which he put forth some new ideas on how to develop the commodity economy in underdeveloped areas.

Yu Guangyuan points out: In the southwestern and northwestern regions in China where communications are inaccessible and the economy is underdeveloped, we must attach importance to both markets nearby and faraway. We must not attach importance only to distant markets and belittle nearby markets.

He says: It seems that we all understand the reason for attaching importance to distant markets. In order to exchange for more products produced in distant places, we must strive to sell more local products to other places. However, because the economy of some localities is relatively backward, the goods produced (referring to the industrial items for daily use) are generally of poorer quality and higher cost, and therefore lack competitiveness in the distant markets. In reality, the salable products are primarily the local special products. This is one aspect of the situation. The other aspect is that the very common industrial items for daily use which the people of these localities need must be transported from distant places. When there is a shortage of these products in distant places, then the demand of the people in these localities for these products will not be satisfied. Thus, besides striving to find in these localities products which can be sold to distant places, today we should pay special attention to producing commodities which can satisfy local and nearby needs and work hard to occupy the local and nearby markets.

Perhaps some comrades will ask: In doing so, will we return to the old path in which the various localities are not open to one another? Yu Guangyuan feels that this will not be so. He does not advocate the prohibition of the entry of commodities from other places into local markets. Rather, he only maintains that the underdeveloped areas must rely on their own efforts to

improve product quality and lower cost in order to compete with commodities from distant places and surpass the latter.

Perhaps other comrades will ask: Did we not say that the products of these localities are of poorer quality and higher cost? Can this situation change very rapidly? Yu Guangyuan's response is: Quality can be improved and cost can be lowered. He does not feel that the products of these localities can compete with the products from distant places in the distant markets. However, when sold in the local and nearby markets, just transportation fee alone can be much reduced. At the same time, in selling the products locally and nearby, we can master fast and accurate information concerning consumer demand. These two superior factors can compensate for the other weaknesses.

In view of the above explanations, Yu Guangyuan points out: We must attach importance to the local and nearby markets and regard this as a principle in developing the commodity economy in this area. He says: In the past, although we have not clearly indicated this, many areas have in reality done so. Nevertheless, clarifying this principle and not clarifying this principle will still produce different results in practice.

Yu Guangyuan maintains that, if the underdeveloped areas can better satisfy the needs of the local and nearby markets, they will benefit the economic returns of the local producers as well as of the whole society. There is no doubt about the former. As for the latter, there will also be advantages, since the transportation of materials can be reduced, thereby relaxing the tension in transportation.

Yu Guangyuan says: In so doing, the people nearby will be happy. This can be expressed in two words: "Delight nearby." At the same time, if we continue to work hard to develop the commodity production that can satisfy the needs of consumption by people in distant places, we will also be welcomed by them. The procurers from distant places will come here to make purchases. This can be expressed in the words: "attract from afar." The principle of attaching importance simultaneously to developing commodity economy for nearby and distant markets by the underdeveloped areas can be expressed in the following phrase: "Delight nearby and attract from afar."

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CSO: 4006/696

NATIONAL POLICY AND ISSUES

ECONOMIC RESPONSIBILITY SYSTEM STIMULATES VITALITY

HK031049 Beijing JINGJI GUANLI in Chinese No 5, 5 May 85 pp 15-18

[Article by Li Jing [2621 7234]: "Economic Responsibility System Stimulates Enterprise Vitality"; edited by Liu Qichang [0491 0366 2490]

[Text] "Socialism with Chinese characteristics should, first and foremost, be able to instill vitality into the enterprises." The key to the present restructuring of the economy, with the focus on the urban economy, is the invigoration of enterprises, particularly the large enterprises owned by the whole people. This is also the point of departure and underlying objective of the economic responsibility system. What is the inner link between the economic responsibility system in an enterprise and enterprise vitality? In what ways can the economic responsibility system stimulate enterprise vitality? How are we going to instill greater vigor and new vitality into the state-owned enterprises through further strengthening and improving the economic responsibility system? In the following article, I will attempt a preliminary probe from three angles:

The Point of Departure and Underlying Objective of the Economic Responsibility System

As we all know, the aim of the economic responsibility system is to improve economic results. How then should we perceive the notion that invigorating enterprises is the point of departure and underlying objective of the economic responsibility system?

Vitality is the exuberant life-force of an organic body. The vitality of enterprises is the overall manifestation of the life-force, adaptability, and competitiveness of enterprises. The main determinants of enterprise vitality are: Are the main constituents of an enterprise (such as the laborers, subjects of labor, and means of labor; various departments and links in the processes of production and operation) are organically integrated and well-coordinated so that they all operate in a benign cycle? Are enterprises capable of transforming and developing themselves in swift response to changes in external circumstances? Can enterprises gain the upperhand in keen market competition, defeat their opponents by surprise moves and achieve the best economic results?

Enterprise vitality is the foundation of macroeconomic invigoration. All organic bodies are made up of numerous organic cells of different shapes and forms. A cell is a basic unit. In the human body there are over 100 trillion cells of all shapes and forms. The strength of the organic body is determined by the vitality of the cells. Similarly, whether the economic organism of a society is ossified or full of vitality is also determined by the vitality of economic cells, the basic units that make up the national economy. One of the great achievements of our rural reform is to instill great vitality into the rural households--the cells of the rural economy--so that they are capable of making their own decisions regarding operations and of developing themselves. As a result, the entire rural economy has become a scene of unprecedented vitality and prosperity.

The economic cells of a city are its enterprises. The chief and direct responsibility for industrial production and construction and commodity circulation falls on enterprises. They constitute the mainforce spurring the growth of the forces of production and encouraging economic and technological progress. Only when enterprises, particularly the large enterprises, have been invigorated can the national economy develop healthily and rapidly.

Enterprise vitality is the prerequisite for the improvement of economic results. On the other hand, the steady and sustained improvement of economic results is the underlying objective of invigorating enterprises and the national economy. Just like waning and listless plants will not blossom and bear fruit, once the vitality of enterprises is weakened or stifled, the processes of production and operation will definitely come to a stand still or be held up. As a result, material forms of products cannot be produced, and even if they can be produced, the efficiency is bound to be poor. Consequently their corresponding benefits in the form of value will be like water without a source, or a tree without roots. Thus, the economic responsibility system must take the invigoration of enterprises as its point of departure and achieve the goal of improving economic results through stimulating enterprise vitality.

#### The Function of the Economic Responsibility System in Invigorating Enterprises

The vitality of enterprises is restricted by internal and external conditions. Thus, there are two complementary ways to the invigoration of enterprises, namely injection from outside and stimulation from inside.

The life and vitality of all things in the natural world depends on a good ecological environment. The life and vitality of enterprises also requires a good economic environment. In other words, we must provide them with suitable "temperature and humidity" and sufficient "oxygen" so that they can become dynamic and vigorous. The main external conditions necessary for injecting vitality from outside are: first, we must take further steps to change the situation where state-owned enterprises are in fact turned into appendages of state economic management organs, and separate government from enterprise functions. Power must be delegated to enterprises so that they can truly be made relatively independent economic entities and become producers and operators of socialist commodity production that are independent and responsible



for their own profits and losses, and that act as legal persons with certain rights and duties. Second, we must thoroughly do away with feudal barriers between departments and regions, gear to the needs of domestic and overseas markets, fully bring into play the central role of cities, and form open and inter-connected economic zones of various sizes. With large enterprises playing the leading role and on the basis of voluntary participation and mutual benefit, horizontal ties between enterprises should be extensively developed. There should be diversified and elastic forms of integration and coordination between enterprises so that enterprises can bring into play their superior features and make up their weak points and constantly enhance their economic strength and competitiveness. Third, on the basis of correctly handling the interests between the state, the enterprises, and individual staff members and workers, we must do away with the practice among enterprises of "eating from the same big pot." We must ensure the relatively independent economic interests of state-owned enterprises so that they will have inherent economic power.

The external conditions of enterprise vitality are important, but they can only function through internal conditions. The source of enterprise vitality lies in the enterprise itself. From the national economy as a whole, enterprises are basic economic cells, but viewed on its own, an enterprise is an organic body with complicated structure. It is made up of thousands of cells of varying shapes (laborers at different posts), and of a number of organizations (collective bodies of "cells" of laborers), functional "organs" (collective bodies of organizations), and systems (collective bodies of functional "organs").

In order to stimulate enterprise vitality from within, there must be the following basic internal conditions; first, the various organizations, "organs" and systems within the organic body of an enterprise must be able to play their specific functions to ensure the workings of a benign cycle inside the enterprise. If these functions fail, the vitality of the enterprise is bound to deteriorate. Likewise, hyperfunction is not to be tolerated because it will destroy the equilibrium of the organic body. If the "metabolic" function of the production command system fails, output will remain low and there will be no material support for quality and value. As a result of this, the enterprise will become moribund. But, if the "metabolic" function of the production command system fails, output will remain low and there will be no material support for quality and value. As a result of this, the enterprise will become moribund. But, if the "metabolic" function becomes overactive and the enterprise resorts to the "human sea" tactics does a rush job of assembling and produces more rejects and substandard goods than good ones, the enterprise is bound to meet setbacks and will never be able to recover. Another basic internal condition is that we must ensure that every laborer is full of vitality. As the "decision" adopted by the party at its Third Plenary Session of the CPC Central Committee pointed out: "The well-spring of vitality of the enterprise lies in the initiative, wisdom, and creativeness of its workers by hand and brain." The implementation of the economic responsibility system in enterprises is conducive to creating internal conditions for enterprise vitality and has the specific function of stimulating enterprise vitality. The function of stimulating vitality is mainly discharged in the following ways:

1. In line with the economic responsibilities which an enterprise undertakes to fulfill for the state, the internal economic responsibility system which is characterized by the combination of responsibility, power, and interests and which has responsibility as its core formulates strategic objectives and operational policies for the enterprise. Through the planning and implementation of the overall program for the economic responsibility system, policies and objectives can be transmitted to different levels and targets for contracting, safeguards, and coordinations can be assigned to different levels. Through the links of the systems of personal economic responsibility and professional economic responsibility, these are joined with the inter-connected structure of economic responsibility within the enterprise. As a result, the objectives of various departments, links and posts becomes organically integrated with the overall objectives of the enterprise. This will stimulate the laborers of various departments, links, and posts to do their best for the overall objectives of the enterprise.

2. The economic responsibility system links the material interests of laborers with the results of enterprise operation. Because personal material gains will increase with good results of enterprise operation, laborers will feel concerned about the prosperity and decline of their enterprise out of their own personal interests. This will stimulate their enthusiasm and sense of responsibility as masters of their enterprise and make them feel impelled to share weal and woe with their enterprise. In this way, the strengthening of democratic management will become a conscious action.

3. The conscientious implementation of the principle of distribution according to work and the smashing of "bit pot" practices within the enterprises. Proceeding from the actual conditions in an enterprise, responsibility and interests are linked in various ways and the difference between jobs is widened so as to fully apply the principle of rewarding the diligent and good and punishing the lazy and bad and of giving more pay for more work and less pay for less work as well as to fully reflect the differences between mental and manual labor, complex and simple, skilled and unskilled, and heavy and light work. This powerful constant hormone for internal vitality will impel the laborers to exert themselves, open the treasure house of wisdom, tap the potential for creation and thus provide the enterprise with inexhaustible vitality.

4. Through open recruitment, contracting for single items and other forms, the active factors within an enterprise are mobilized to quickly and effectively tackle difficult problems in production and operation, strengthen the weak links in the enterprise's self cycle, and overcome potential hazards that may weaken enterprise vitality.

5. Through the strengthening and improvement of the internal economic responsibility system, it is possible to accelerate the raising of an enterprise's operational and management standards, ensure the implementation of the factory director responsibility system, and promote the restructuring of the enterprise.

The economic responsibility system within industrial enterprises is a production, operational, and management system characterized by the combination of

responsibility, power, and interests. It functions under the guidance of state plans, policies, and decrees and is aimed at achieving better economic results. It is related to and yet different from other forms of operation and management, such as the specific responsibility system and post responsibility system. It covers all members, all aspects (material civilization and spiritual civilization) and the entire process of production and operation. Through clearly stimulating the responsibility of all concerned, from the factory director to workers at different posts, and investing them with appropriate power, the institution of a unified, powerful, and highly effective system of production command and the operational management can be ensured. When responsibility is linked with interests, every cell and vein will be permeated with economic vitality. The economic responsibility system not only promotes the rational organization of the productive forces, it has in fact developed and improved the socialist relations of production. Thus, the process of strengthening and improving the economic responsibility system is also a process of readjustment and reform within an enterprise. It is also a process of modernizing the operations and management of an enterprise and putting it on a scientific basis. In other words, [words indistinct] process of ensuring that an enterprise's production and operation move in a benign cycle and prosper.

#### Factors Restricting the Function of Stimulation

The nature and characteristics of the economic responsibility system in industrial enterprises determine its specific function in stimulating enterprise vitality. But does that mean that once the economic responsibility system has been instituted in an enterprise, the function of stimulation can be brought into full play once and for all? This is quite contrary to actual fact. The function of stimulation will vary greatly with the extent to which the economic responsibility system within an enterprise is strengthened and improved. Besides, the strengthening and improvement of the economic responsibility system are restricted by a number of factors, both internal and external. The following are some of the main factors:

First, the extent of delegation of power by the higher authorities is a decisive factor of external restriction. This is more obvious in large enterprises owned by the whole people. Compared with collective enterprises and small enterprises owned by the whole people, these enterprises are still subject to fairly rigid control and are not ensured proper decisionmaking powers on matters of operation and management. Something extra is added to the planned targets at each level, the free marketing of goods produced in excess of the production target is indiscriminately transferred to other levels, and economic earnings are pocketed at each level. The "temperature and humidity" are low, "oxygen" is insufficient, hands and feet are tied, and vitality is in a state of inhibition. Only by working with one heart and one mind to speed up the pace of all-round economic restructuring under the leadership of the party can this restricting factor be removed step by step.

Second, how close the material interests of staff and workers are linked with the results of enterprise operation directly affects the size of the stimulation. After the second step of the reform to replace profit delivery



by taxes, all after-tax profits are at the disposal of enterprises. This has been institutionalized. But there is yet some probing to do on the matter of deciding on policies regarding tax items and burdens. The present "regulatory tax" which imposes a different tax rate for each unit still has the drawback of "whipping the fast ox." In the future, we must carry out further reform so that enterprises can all start the race on the same starting line. Only when the "big pot" practice between enterprises has been thoroughly done away with, so that the material interests of staff and workers can grow in proportion with the economic results of enterprises, will stimulation grow in a corresponding way.

Third, whether or not the principle of distribution according to work is resolutely implemented, whether or not egalitarianism is thoroughly eliminated, and whether or not the difference between the distribution of earnings is widened are the most important factors that restrict the stimulation function of the economic responsibility system.

How should we correctly carry out distribution according to work so that responsibility and interests can be more closely linked? This involves a question of our understanding of "work." "Work" should include the working life, qualifies (cultural and technical levels and ability of work), and actual performance (quality and quantity of work, as well as the results and contributions of one's duty). While assessing the actual fruits of labor, we must also take into consideration contributions already made and labor potential. This will provide "work" with a more scientific and all-round yardstick and show the difference between manual and mental labor and between complex and simple work. In the distribution of "profits," it is not enough just to link it with the issuing of bonuses. It must be closely linked with the distribution of wages so that some staff and workers who are hardworking and have made great contributions can become well-off first. Only in this way will there be strong attraction for the majority of workers and only in this way can their enthusiasm be fully aroused.

Fourth, the "big pot" practice and the "[word indistinct] bowl" practice are "twins." They are major obstacles to the stimulation function of the economic responsibility system. Only by smashing the "big pot" can the "iron rice bowl" be shattered. Following the development of various forms of contracted responsibilities, the problem of being overstaffed can become very obvious. The situation where the work of three is done by five should no longer be tolerated. Put in another way, only by smashing the "iron rice bowl" of workers and the "iron chair" of cadres can the "big pot" practice be fundamentally smashed. Only when the work of five can be done by three, and only when the "rice" for five persons can be shared by three will it be possible to cure the "dropsy" of enterprises, that is, being overstaffed and creating jobs to accommodate persons. Only in this way will the latent potential of workers be fully brought out.

Fifth, the qualities of enterprise managers are no doubt very important to the performance of the stimulation function. If the director of an enterprise is incompetent and its management personnel neglect their duty, no matter how excellent the plans and methods for the institution of the internal economic

responsibility system are, they will come to no effect. The further strengthening and improvement of the economic responsibility system and the development of reform and production in enterprises urgently requires a large number of qualified management personnel who are not only well versed in modern economic and technological knowledge but are also imbued with an innovative spirit, bold in making new creations, and capable of creating new situations. In particular, it is necessary to boldly employ and actively train middle-aged and young management cadres for enterprises. Only in this way will enterprises have stamina and can constantly increase vitality.

Sixth, the strengthening of ideological and political work is a guarantee for the sound development of the economic responsibility system. It is also a guarantee for fully bringing into play the stimulation function. The institution of economic responsibility in enterprises constitutes a profound revolution in the enterprise management system. Because of its severe attacks against old ideas, old traditions, and the old order, it will inevitably meet with all kinds of ideological obstacles. At the same time, the more the economy is invigorated and the more the enterprises are invigorated, the more necessary it is for us to resist the corrosion of bourgeois ideas. Thus, we must let ideological and political work run through the whole process of the implementation of the economic responsibility system so that workers will all cultivate a strong sense of responsibility as masters.

CSO: 4006/744

## NATIONAL POLICY AND ISSUES

### COMMODITY PRICE BUREAU DIRECTOR ON PRICE REFORM IN 1985

Beijing JINGJI CANKAO [ECONOMIC INFORMATION] in Chinese 13 Apr 85 p 1

[Report: "A Talk by the Director of the State Price Bureau on the Issues of This Year's Price Reform"]

[Text] Summary of the Contents: The direction for the price reform is correct. We must carry out the reform unswervingly. The basic principle of the reform in 1985 is: Integrate relaxation with readjustment and take small steps forward. There are three focuses of the reform: Relax the procurement price for hogs and the sales price for pork, readjust the procurement and sales prices for grain in the rural areas, and appropriately increase the short-distance railroad transportation fees. The price reform must be carried out under the unified planning of the State Council. We do not permit one to act according to what one likes and interfere with the unified planning. Furthermore, we do not permit one to seize the opportunity to increase prices or increase prices in a disguised manner. This is a matter of discipline. We must resolutely investigate and handle any violation of discipline or the law.

"The Resolutions on the Reform of the Economic System" passed at the 3d Plenum of the 12th CPC Central Committee have clearly pointed out that we must gradually reform the existing irrational price system. This reform is followed with extremely great interest both at home and abroad. In his government work report at the Third Session of the Sixth NPC, premier Zhao Ziyang has already elaborated on the principle of the reform of the price system. Vice Premier Tian Jiyun [3944 4764 0061] has also reported on the situation of the reform of the price system at the forum for non-party individuals. Recently, the General Office of the State Council has again convened a press conference on the issue of the price reform in 1985. Cheng Zhiping [2052 5268 1627], director of the State Price Bureau, delivered the following talk to the reporters:

Our country's existing price system is extremely irrational. Many commodity prices not only fail to reflect the value but also fail to reflect the relationship between supply and demand. If we do not change this condition,

we will not be able to correctly assess the business results of an enterprise, will not be able to guarantee the smooth exchange of urban and rural materials, and will not be able to enhance the rapid development of the social productive forces and the continuous improvement of the people's livelihood. Currently, our country's political and economic situation is excellent. Politically, there is stability and unity. Economically, there is sustained, stable and harmonious development, abundant commodity reserve and increase in financial revenue. This is an opportune moment for reforming the price system. The party Central Committee and the State Council have decided that, beginning this year, we will spend 5 years to basically handle properly the price system. At the same time, they have pointed out that the direction for the price reform is correct and we must persevere in it unswervingly. However, in respect to the steps in implementation and the specific methods of work, we must exercise discretion. The price reform is related to the overall situation of the national economy and involves tens of thousands of households. We must proceed from China's realities, fully consider the ability of our state finances to shoulder the responsibility of the reform, the ability of the enterprises to absorb it, and the ability of the masses to accept it, and wage our initial battle in a planned and discreet manner and step by step. We must strive for victory and absolutely must not rush headlong into mass action. In accordance with the policy and principle fixed by the party Central Committee and State Council, we have conducted systematic investigation and comparison of various programs and have formulated a program for the price reform of 1985.

The year 1985 is the first year for the reform of the price system. Taking our first step properly is crucial to the smooth progress of the reform in the future. We must be particularly discreet in this respect. The basic principle of the price reform in 1985 is: Integrate relaxation with readjustment and taking small steps forward. This means to take small steps steadily forward in integrating the relaxation and the readjustment of prices. There are three focuses in the reform: Relax the procurement price for hogs and the sales price for pork, readjust the procurement and sales prices for grain in the rural areas, and appropriately raise short-distance railway transportation fees.

1. Relaxing Hog and Pork Prices: In the last few years, agricultural production has developed rapidly and grain output has increased by a wider margin. However, the increase in hogs has been slow and has failed to conform to the needs of improving the people's standard of living. In order to promote the conversion of grain to meat and develop hog production, we must reform the unsuitable condition currently involving the policy of assigned procurement of hogs, implement contract procurement and market procurement, and abolish the system of state unified stipulation of the procurement prices of hogs and the sales prices of pork. Then, in light of the changes in market supply and demand, we will implement negotiated prices under guidance. The state should give appropriate subsidies to the urban residents whose expenses have increased due to increases in meat prices. The state-run food products company must have a good grasp of the necessary sources of pork, handle the product in light of market supply and demand and the state policy, keep down the market prices and protect the interests of the producers and consumers. Just when this reform should be carried out this year will be decided by the

various provinces, autonomous regions and municipalities directly under central jurisdiction in light of their respective concrete situations. The various localities can relax in a planned and progressive manner the prices for other fresh and live nonstaple food products in light of local realities. Through these reforms, we must enable the production of nonstaple food products to develop, increase variety, improve quality, ensure adequate supply and offer convenience to the masses.

2. Readjusting the Procurement and Sales Prices of Grain in the Rural Areas: In order to promote the readjustment of the rural production structure and further revitalize the rural economy as well as change the irrational condition in which the sales price of grain is lower than its procurement price, this year we must abolish the state monopoly procurement of grain and switch to fixed procurement by contract. The procurement prices of rice, wheat and corn under fixed procurement will be set at the "reversed 30 and 70 percent" ratio, i.e., 30 percent according to the original price under state monopoly procurement and 70 percent according to the additional price for surplus procurement. Under the prerequisite of not exceeding the gross amount of fixed procurement transmitted by the state and the general level of prices according to the "reversed 30 and 70 percent" ratio, the various provinces, autonomous regions and municipalities directly under central jurisdiction can, in light of their own realities, appropriately readjust the proportion of price increase for specific grain varieties. The grain outside the fixed procurement can be sold on the market freely. If the market price is too low and the peasants ask to continue to sell the grain to the state, the state can carry out procurement according to the original price under state monopoly procurement in order to protect the peasants' interests. The state must appropriately readjust the price of grain sold to the rural areas. The various provinces, autonomous regions and municipalities directly under central jurisdiction will act in accordance with the unified planning of the State Council and use their own discretion in making arrangements for the timing of and the specific measures in implementation of the above. The state will not increase the prices for the grain ration and vegetables supplied to the urban nonagricultural population and the grain ration for the vegetable farmers in underdeveloped places. The national grain vouchers and local grain vouchers in the hands of the urban and rural people can be used to purchase grain according to the original price, which will not be increased.

3. Appropriately Raising Short-Distance Railroad Passenger Fees and Freight Fees: The purpose is to promote the shift in short-distance transportation from railways to highways and waterways in order to relax the tension in railway transportation. There will be no change in long-distance railway freight fees and passenger fees. The localities which are equipped to do so must also appropriately lower highway transportation fees.

The first two items of the price reform have been smoothly implemented in most places. The last item is under preparation and will be implemented within the first half of the year.

In addition, the following reforms have been implemented in the first half of the year or will be implemented in the latter half of the year: We must widen the price difference among commodities according to quality, and implement



good prices for superior quality and low prices for inferior quality. In accordance with regulations, we must let the enterprises sell a portion of the industrial means of production. The enterprises will fix their own prices and implement market regulation. We must appropriately readjust the variety price difference and regional price difference for coal, but will not increase the price of coal for daily use in the cities. We must readjust the prices of some Chinese and western medicines up or down without raising the general level of the prices for medicine.

These reforms, which we are prepared to institute this year by stages and in groups, primarily revolve around the reform of the production structure, the structure for communications and transport, and product mix. They are active and stable and are conducive to the gradual establishment of a rational price system. They are imperative to further developing production and conform to the basic interests of the broad masses of people. The leading comrades of the State Council have reiterated: In the price reform this year, we must clarify our direction of attack and act in accordance with the unified planning of the State Council. We will not permit one to do what one likes and interfere with unified planning. Moreover, we will not permit one to seize the opportunity to increase prices or to increase prices in a disguised manner. This is a matter of discipline. In some places, there is gossip about price increases in grain and edible oil, which are under the supply quota for the urban residents, about price increases in the use of grain by the catering trade and nonstaple food trades, and about price increases in edible sugar and kerosene. These are all without basis. Some people have also conjectured that, after relaxing the prices of hogs and pork, the price of soap will rise as a result of the increase in the price of lard and the prices for products manufactured from hog skin will also rise. This is also without basis. Toward these commodities, the state will adopt such measures as tax reduction or subsidy to the producing enterprises. The sales prices on the market will not be raised.

As for the prices in fair trade, the prices for the small commodities which are managed by the lower levels will come under market regulation. With the changes in production and sales and supply and demand, the prices will rise and fall. This will be conducive to promoting production, satisfying demand, and offering convenience to the masses.

The relaxation of the prices for pork and other fresh and live nonstaple food products in the cities will lead to a rise in prices. After a period of time, when production has increased and circulation has been revitalized, the prices will become stable and rational. An important step to be taken in this year's price reform will involve a rise in the general level of the retail prices in cities throughout the country. For this reason, the state will adopt a series of effective measures to strictly control the margin of increase of meat prices and the chain reaction on relevant meat products, and strictly control the general level of market prices. For instance, the state has decided to appropriate several tens of billion jin of grain as feed, procure hogs from the peasants and specialized households according to the original price under the state monopoly procurement and have a good grasp of the sources of goods. The rise in the price of pork will be controlled to a certain extent. At the same time, in light of different situations in the various localities, appropriate subsidies will be given to urban residents whose expenses are

increased due to the increase in the price of meat. This will also lessen the impact of the price changes on the people's lives. As of 1 April this year, we have appropriately raised the interest rate for fixed deposits in the banks. We will continue with the wage reform so that the wages of the cadres and staff members and workers will increase. Thus, the actual income of most of the urban residents will not decline as a result of the price reform, but will increase with the development of production. The state must also adopt such measures as controlling the blind growth of the consumption fund, controlling investment in fixed assets and bank credit and loans, reducing administrative expenses and group purchasing power, increasing the production and supply of commodities in short supply, and resolutely controlling currency issuance, in order to maintain a basic balance between accumulation and consumption and between supply and demand. In short, our country has the power and the method to control market prices. The various localities and units must conscientiously carry out propaganda and instruction, alleviate the people's misgivings about the price reform, prevent ideological anxiety, prevent the tendency of rush procurement, and at the same time arrange properly the supply of commodities for the market in order to safeguard the interests of the state and masses.

The director of the State Price Bureau emphasized lastly that maintaining the basic stability of prices is the policy of the party and state and is the common duty of the various localities, various concerned sectors and various enterprise and professional units. Now, there are units and individuals who disregard the overall situation and disregard law and discipline. They seize the opportunity of reform to obtain extra income for their locality and their unit. They increase prices indiscriminately and increase prices in a disguised fashion and resell at a profit those means of production and consumer products which are in short supply in an attempt to seek exorbitant profits, exploit the state in order to fatten themselves, and harm the consumers in order to benefit themselves. These new unhealthy tendencies and acts of violating discipline and the law have corrupted the cadres and corrupted social values. They constitute a serious interference with the reform of the economic system and the socialist four modernizations. We must resolutely investigate and handle these tendencies. Governments at various levels and concerned sectors must abide by the "Resolutions on Strengthening Price Control and Supervision and Inspection" recently issued by the State Council, as well as by the concerned regulations. While instituting relaxation, revitalization and reform, we must vigorously strengthen market and price control and impose strict discipline on prices. Toward those units and individuals who raise prices indiscriminately, increase prices in a disguised fashion, drive up prices and collect fees indiscriminately, as well as toward those who wantonly fabricate gossip about price increases and disrupt the market prices, we must impose economic punishment on both the concerned leadership as well as the violators. We must impose disciplinary measures on the serious cases, and punish the lawbreakers according to the law. We hope that the broad masses of cadres and people will actively take part in the supervision and inspection of prices, encourage the various concerned sectors and the various enterprise and professional units to

strictly implement the state's price policy in order to safeguard the interests of the state and the people, develop the excellent situation of stability and unity, and guarantee the smooth institution of the reform of the economic system and socialist modernization.

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NATIONAL POLICY AND ISSUES

JINGJI RIBAO ON WESTERN PRC'S DEVELOPMENT PROBLEMS

HK180853 Beijing JINGJI RIBAO in Chinese 3 Jul 85 p 3

[Article by Liu Zaixing [0491 0375 5281]: "Problems Worth Studying on the Strategy for Developing the Western Regions"]

[Text] In connection with the strategy for developing the western regions, there are problems in two respects which are worth studying. On the one hand, there is the question of whether or not we should now extensively redistribute our productive forces and the problems of the time the redistribution is to take place, the steps to be taken, the scale of the redistribution, and the speed at which our productive forces are to be redistributed. On the other hand, there is the problem of the choice of strategies for developing the western regions.

Further problems are anticipated in the course of the unfolding of the above problems. For example:

1. How are we going to distribute the country's construction projects before the end of this century? Should they be concentrated in the eastern regions, central China, or the western regions? The situation in the eastern regions has been more frequently publicized. The situation in central China has also become quite clear. The end of this century is still more than a dozen years away. In addition, the key construction projects to be included in the Seventh 5-Year Plan and the Eighth 5-Year Plan have been more or less decided on. Thus, from the viewpoint of overall distribution, it is unlikely that we can move many things westward in this period. In addition, it is also unlikely that we can make the western regions the focus of the country's development by bypassing central China. However, there is still much to be done in the western regions. Laying the foundation, making general preparations, and making preparations for the strategic changes in the next stage can provide us with much work. For example, we have to prospect for more natural resources, construct power supply and communication lines in the areas to be developed, train people enable the poor in the poverty-stricken areas to become rich, improve the conditions in areas where the ecological environment is deteriorating, readjust the existing enterprises, particularly those on the third line, consolidate them, tap their potential, transform them, and coordinate their operation, lay down overall plans for building the key construction zones, make preparations for some key projects, and execute some exploitative projects urgently called for by the state. If, given the takeoff

of the eastern regions and central China, this preparatory work is adequately and meticulously done, the western regions will have better conditions to effect their own takeoff. Another important thing is that we should, as our first step, pay close attention to the work in the five key construction zones (namely the northern Shaanxi-western Monggol Zone, the region on the upper reaches of the Huang He which relies on the large hydroelectric power stations, the drainage area of the Hongshui He, the region west of Liupanshui, and the Ili-Altay region in Xinjiang, which combine to form a base for energy, heavy, and chemical industries "west of the mountains"). In addition, we should focus our work on preparations, but not on hasty extensive development.

2. An overall analytical appraisal of the western regions' potential and conditions for development. This is the basis for studying development strategies. Generally speaking, both favorable and unfavorable conditions exist and they contrast sharply with one another. Even if viewed from a certain particular angle, these regions still have both strong points and weaknesses. For example, there is the problem of how to appraise the land resources in these regions (that is, the profile formed by the climate, physical features, rock type, soil, natural vegetation, and hydrological conditions in this part of the country). Have they become exhausted? Do they still have great potential? Are pastures and coal the regions' only superior conditions? Will the natural resources be devalued as a result of the new technological revolution? In this part of the country, many people are illiterate, the population is quite poorly educated, backward technology is applied in production, and management, too, is backward. However, in this part of the country, the units owned by the whole people employ a higher ratio of scientific and technological workers than those in the eastern regions and central China. In addition, their workers on the average own more fixed assets per capita than those in the eastern regions and central China. This part of the country provides an ecological shield for both the eastern regions and central China. However, within itself, there are many unfavorable ecological conditions. Thus, before we can arrive at a correct development strategy, it is first necessary to thoroughly understand the complicated "regional conditions" in this part of the country.

3. The choice of development patterns. This includes the tasks of setting our objectives, deciding on the order in which the natural resources are to be exploited, and handling the relationship between locally processing or transforming the natural resources and exporting them. Regarding technological strength, will we, by having a regional production setup dominated by the exploitation and processing of the rich natural resources in this part of the country for a given period of time, widen the economic and technological gap between this part of the country and the eastern regions? How can we narrow this gap? Should we imitate the south and west of the United States and the southern FRG, where production is dominated by advanced technology, or Japan, where "the prefectures take technology as the foundation," in order to give the backward areas "some advantage" or is it more appropriate, while more important things are being transformed in one order for the western regions as a whole, to transform less important things in the reverse order in some parts and fields?

4. Where, from an overall point of view (not from the viewpoint of individual regions), should we effect breakthroughs? Should we effect breakthroughs by developing high-technology industries? Should we effect breakthroughs by extensively exploiting underground natural resources? Or should we start with ecological farming in order to raise the utility rate and economic value of the land resources, to speedily come to grips with the problems of ecology and grain supply, which have beset the western regions for a long time, and, with the basis provided by ecological farming, to give impetus to the development of textile industry, light industry, tertiary industry, and other industries?

5. Arrangements for the territorial economic makeup of this part of the country. Of the five autonomous regions, Nei Monggol and Guangxi have better conditions. How can they make an early start? Of the 11 provinces and autonomous regions, Sichuan and Shaanxi have generally better conditions. How should they, as forward bases in the course of the extensive development of the western regions, augment their own economic strength? In the course of laying down long-term plans, how should we delimit the major construction zones and group the major industries and the related industries in these zones and how should they divide up work?

6. The problem of searching for outlets to the sea and inland ports, the problem of taking an active part in the division of labor with other parts of the country and other parts of the world, and the problem of the combination of and cooperation between the 11 provinces and autonomous regions.

7. State support and the problem of strengthening the "blood-producing" mechanisms. Assuming either state support or self-reliance, we still have to concentrate effort on giving play to the superior conditions of this part of the country. Here, the rationalization of its production makeup is of crucial importance. This means that the strengthening of the "blood-producing" mechanisms requires help from outside as well as efforts to enhance its capacity for digesting and absorbing things from outside and for increasing output.

8. The problem of the results yielded by the development of the western regions. It is true that the economic results are rather poor in the western regions. However, this is not inevitable. It is mainly a result of subjective factors. For example, the strategy for developing third-line construction is quite inappropriate. In addition, there is also something wrong with the methods and principles according to which things are evaluated and appraised. For example, the criteria currently used for assessing the results achieved by various regions have directly affected the precision with which the economic results of the backward areas are compared with those of the developed areas. Furthermore, the pricing system is also quite irrational. By adopting a correct development strategy and more scientific methods and principles and by reforming the pricing and management systems currently in force, we can gradually eliminate the subjective factors that affect the economic results of the western regions and gradually improve them.

NATIONAL POLICY AND ISSUES

STATE ECONOMIC COMMISSION ON QUALITY INSPECTION

OW201958 Beijing XINHUA Domestic Service in Chinese 1603 GMT 19 Jul 85

[By reporter Xu Yaozhong]

[Text] Beijing, 19 Jul (XINHUA)--Minister Lu Dong of the State Economic Commission spoke today at a forum on analysis of the economic situation in 12 provinces, autonomous regions, and municipalities, stressing that the immediate task for all localities and departments is to accord foremost priority to product quality. He called on them to adopt effective measures to reverse the downward trend in quality and to bring about promptly a rise in quality of products, transport, engineering projects, and services.

Lu Dong pointed out that the decrease in product quality poses a big problem for the present Chinese economy. Consumers are cheated and endangered by sub-standard products, which also affect export and tarnish the country's image abroad. This runs contrary to the fundamental goal of socialist production and firmly following the socialist way.

Lu Dong said: The quality problem that appeared in the economy in the first half of this year is, viewed from an ideological point of view, due mainly to the fact that some comrades let the tendency of attaching importance to output value and production speed to the negligence of economic results take over. This deviates from the fundamental guiding thought that centers on raising economic results in all economic work. From now on, we must further make correct guiding thought and raising economic results for the whole society as central tasks to organize production. By economic results, we mean economic results for the whole society; it does not mean immediate economic interests for a certain region or a certain enterprise. Moreover, we should not equate profits with economic results. Economic results should be based on quality. The linking of remuneration with quality should come before that of remuneration with economic results. A balance should be struck between speed and results, production and circulation, macro-management and micro-invigoration. We should resolutely hold fast to quality-first thinking and oppose the mistaken tendency of single-mindedly seeking speed and output value.

In his speech, Lu Dong declared that the State Economic Commission and the departments concerned will adopt various measures to help solve quickly the quality problem. They can be summed up as:

--Enterprise to institute "5 no's" system;

First, substandard products will not be allowed to leave the factory, nor should they be calculated in production quantity and production value. Second, substandard raw materials and spare parts will not be allowed to be put into production and assembled. Third, officially declared phase-out products will not be allowed into production and put on sale. Fourth, products with no quality standard, with no quality-inspection facility, and no means to carry out quality-inspection will not be allowed into production. Fifth, no deception and no fraud; no substitution of quality products with inferior ones; no counterfeit trade marks; no counterfeit name brands.

--Institute of compulsory product refund and replacement system:

Consumers reserve the right for either refund or replacement of defective products in cases where quality of the product is still sub-standard after factory repair. The factory will bear the repair and transportation expenses incurred. Consumers have the right to sue the factory if the latter fails to make restitution. Departments concerned at various levels should supervise the enforcement of the refund and replacement system by the enterprises under its jurisdiction.

--Institution of a product spot-check inspection system by the state:

There are many drawbacks now in awarding gold and silver quality awards, a practice needing study and improvement. The system of state spot-check and inspection on products will start from the third quarter of this year. The State Economic Commission and the departments concerned will designate and appoint 100 state-level quality inspection centers to conduct quarterly spot checks on 100 kinds of important products, chiefly on build production materials and consumer products in short supply. The State Economic Commission will release inspection results in QUALITY INSPECTION GAZETTE and through newspapers, radio broadcasts, and on television with either commendation, criticism, or warning. Those substandard name-brand products will be deprived of gold medal, silver, or excellent-quality designations.

--Gradual promotion of production permit system.

The issuance of a production permit system by the state on major industrial products is one of the State Council's important decisions. This system has been put into trial in some trades with good results for the past 2 years. Further trial breakthroughs in machinery products and other trades will be attempted this year. Production permits will be issued to those products whose quality is up to the state's stipulated quality standard; no enterprise will be allowed to produce products whose quality is under the state's stipulated quality standard.

--Establishment of quality checking system.

At present, the economic results of the great majority of enterprises and workers are not linked with quality but with production quantity, output value, and profits, a practice which is not right. We must establish a scientific

checking system for quality so as to surely link production quality with economic responsibility system, profit-retaining in enterprise, worker's salary, and bonus.

At the same time, we should strengthen economic laws and justice. We should fully employ legal means to ensure production quantity, to promote overall quality management system, to enforce quality responsibility system, to do a good job in after-sales service, to build a sales-service network, and to enforce refund, replacement, and claim system.

Lu Dong said: Currently an in-depth and large-scale quality inspection campaign has been launched across the country. Economic commissions at various levels should treat this task as a major work. Inspection should be earnestly, carefully, and impartially carried out; inspection should avoid false posturing and perfunctoriness; and be sure to achieve real results.

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NATIONAL POLICY AND ISSUES

TRENDS OF BUSINESS DEVELOPMENT IN CONTEMPORARY CHINA DISCUSSED

Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 4, 5 Apr 85 pp 3-4

[Article by Zhang Yanning [1728 1750 1337], vice minister for the State Economic Commission: "Strengthen Training To Build Grand Contingent of Cadres for Economic Management"]

[Text] To strengthen and improve the training of cadres for economic management is an important measure of bringing up a grand contingent of cadres for economic management and a vital guarantee for realizing the modernization of technology, management and personnel. Fairly good results were achieved in economic management cadre training in 1984. According to statistics of 26 provinces, municipalities and autonomous regions and 21 ministries and general bureaus throughout the country, the industrial and transport and financial and trade departments trained a total of 1,468,622 cadres of various categories, of whom, 71,156 were leading cadres of enterprises above county level, accounting for around 34.3 percent of the total number of cadres under the same categories. Managers and factory (mine) directors taking part in uniform examination made a comparison of themselves before and after the uniform examination and training and noted four changes: 1) changing from only knowing techniques but not management, to initially mastering the basic knowledge of management; 2) changing from only grasping production without caring about operations to paying attention to operations and reform; 3) changing from being fully occupied with routine work to operating with proper methods; 4) changing from "I am told to learn" to "I want to learn." Many managers and factory directors reflected that after undergoing training, they felt that they could "think more flexibly, become bolder and can grasp work right to the point." For over 1 year, institutes for cadres of economic management under the industrial and transport and financial and trade systems across the country have been developing very rapidly, some institutes carried out training and construction at the same time, in 1984 the enrollment of students in university- and college-level classes totaled 8,769, more than 10,000 managers and factory directors underwent training, various types of short-term training classes were offered and more than 15,000 cadres were trained.

In 1984 the number of special training courses and intermediate special classes sponsored by institutes of higher learning and intermediate vocational schools authorized by various prefectures and departments registered an increase over 1983. According to statistics, in 1984, 40,591 students



were admitted into special training courses for cadres, a more than twofold increase over 1983. The authorized intermediate vocational schools sponsored 875 special training classes for cadres with an enrollment of 41,995. A total of 190,700 workers and staff members studied in television universities, of whom, 14,807 were admitted in 1984; 65,655 cadres studied in correspondence universities, of whom 36,516 were admitted in 1984; 35,794 cadres studied in sparetime universities, of whom 12,000 were admitted in 1984.

In 1984, managers of large and medium enterprises and factory directors received training in the techniques of using electronic computers. According to the statistics of 27 provinces, autonomous regions and directly subordinate municipalities and 34 ministries and general bureaus under the State Council, 31,913 people underwent training in the techniques of using electronic computers, of whom 4,035 managers and factory directors studied over 1 month, surpassing the original training plan by 169 percent. In 1984, in addition to graduate classes for the degree of master of administration sponsored by the the Beijing and Dalian training centers with overseas cooperation, the Shanghai Municipal Economic Commission had also sponsored three senior operation and management graduate classes in cooperation with schools of higher learning: 1) the senior enterprise management class jointly set up with Jiaotong University in Shanghai and the Chinese University in Hong Kong; 2) the senior economic management graduate class jointly sponsored with Jiatong University in Shanghai and West Germany's Konstanz University; 3) the special training class for senior managers in foreign trade jointly sponsored by the Shanghai Foreign Trade College in conjunction with the city of San Francisco in the United States. Japan and Canada have also trained management personnel for us.

As we are now facing the challenge of the world's new technological revolution, in carrying out economic structural reform, in opening to the outside world and in all economic work, we must lay stress on improving economic results. However, the present state of our contingent of economic management cadres does not cope with this situation at all. According to an investigation on the status of cadres in 120 large and medium backbone enterprises that went through consolidation and were checked and accepted as up to standard, cadres with an educational level above that of university and college only accounted for 23.1 percent of the cadres; intermediate vocational school level (including senior middle school), 33.5 percent; junior middle school and below junior middle school level, 44.9 percent; those who graduated from the finance and economic categories accounted for merely 1.2 percent, thus very few truly studied management. According to a general survey in Shanghai Municipality on specialized personnel, among 1.54 million young people 26 to 30 in age, only 56,000 have intermediate vocational school education or are holding technical and operational job titles, accounting for merely 3.66 percent.

Nor can our ability to train cadres cope with the current situation. For a long time, we have neglected education in management. Of the 11.33 million graduated from institutes of higher learning and intermediate vocational schools across the country from 1949 to 1983, only 620,000 graduated from



finance and economics categories, only 5.9 percent of the total number of graduates. This figure represented an average of less than 1 person in the more than 1 million enterprises in industry, building industry, communications and service trades throughout the country. According to a forecast on specialized personnel in the whole country, by the year 2000 in our country the six specialized fields of economic, planning statistics, finance and accounting, banking, projects management and technical economic management will need 8,538,000 specialized personnel with formal schooling above intermediate vocational school level and 3,143,000 will have to be cultivated through on-the-job training. The existing management colleges and training centers for economic cadres have the capacity of training only about 10,000 people annually, which is far from coping with the training task.

The CPC Central Committee has called upon us to bring up before long a large group of factory directors (managers) who can effectively organize and direct the production and operations of enterprises with good results, chief engineers who can vigorously push technical progress forward and strengthen technical management, chief economists who can enhance enterprise operations and raise economic results, chief accountants who can strictly adhere to financial and economic discipline, make careful calculations and strict budgets and tap new financial resources, and party committee secretaries who can uphold the correct political orientation and unite the broad masses of workers and staff members in the enterprises to form a grand contingent of socialist economic management cadres and technical cadres complete in all categories who fit together as a whole.

Since our training tasks for 1985 are very arduous, we must concentrate on the focal point of work. First of all we should make a good job of continually training managers and factory (mine) directors before the uniform examination. We should make efforts to bring up more than 5,000 managers and factory directors of large and medium backbone enterprises within this year and next year. We should improve the method of uniform examination and raise training quality. Moreover, we should continually organize factory directors to undergo training on the techniques of using electronic computers.

Various regions and departments should seriously do a good job in training "three chiefs" [san shi 0005 1597, chief engineers, chief economists and chief accountants] so as to enable them to master modernized management knowledge quickly and meet the demands put forth in the "Decision." In the meantime, we should concentrate efforts on the training of the reserve forces for "three chiefs" and draw up and compile a "three chiefs" teaching plan, teaching outline and teaching materials based on the essential knowledge the "three chiefs" must have.

We should continue to pay close attention to the training of party committee secretaries in enterprises above the county level so as to make the work of party committee secretaries more compatible with the new demands of the economic structural reform and of implementing the factory director responsibility system.

Leading cadres of organs of economic management are in a position of macro-economic management and economic management of professions and trades, thus the correctness of their policy decisions is of vital significance to raising economic results. It is, therefore, necessary to continually strengthen the training of the directors and deputy directors of provincial- and prefectural-level economic commissions. Economic commissions of various provinces, autonomous regions and directly subordinate municipalities should also train the directors and deputy directors of county economic committees in a planned way. Industrial and transport and financial and trade departments under the State Council should draw up plans of focusing on the training of directors of subordinate departments (bureau) and implement them on persons concerned. Prior to 1990, cadres now under the age of 45 with education at junior middle school or below junior middle school level are expected to achieve the level of intermediate vocational school level through training.

All management personnel dealing with planning, statistics, financial affairs, labor wages, goods and materials supply and supply and marketing in various factories and mining enterprises and economic departments who have not studied their own specialities should be organized to undergo special training linked with their work so that the work of training cadres and technical reform and technical development and renovation and expansion projects in enterprises and the work of pushing forward modernized management can be organically integrated. Open cities and region along the coast are the "windows" to foreign economic contacts and importing technology. We should get a clear picture of the needs of these cities for various types of qualified personnel, draw up training plans and adopt practical measures for training large numbers of economic management personnel by conforming to the needs of opening to the outside world.

Boldly using and actively bringing up hundreds and thousands of young cadres for economic management is where the momentum of the "four modernizations" drive lies. We must from now on train the third and fourth echelon economic management personnel for economic revitalization. Various enterprises and organs of economic management must be willing to send those of their personnel who have both ability and political integrity and truly have a future in training to study in colleges for economic management cadres, institutes for higher learning and intermediate vocational schools.

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NATIONAL POLICY AND ISSUES

TEN TRENDS OF ENTERPRISE DEVELOPMENT DISCUSSED

Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 4, 5 Apr 85 pp 31-34

[Article by Shen Xiaojie [3088 2556 2638]: "Ten Trends of Enterprise Development in Contemporary China"]

[Text] As a result of the continuous development of the economic structural reform and the impact of the new technological revolution in 6 years, China's enterprises have begun to follow a new and developing road full of vitality and have shown new factors of further developing the forces of production which have brought about new development and improvement in ideology, organization, quality, tactics and information to enterprises and have constituted the 10 major trends in developing enterprises in our country.

I. The Trend of Developing Enterprise Operations from Closed-Production to Open-Production Operations

For a long time, our country's economic management system had been adopting the method of "controlling and taking care of everything in a big way" exercising overly rigid control over planning, the supply of goods and materials, personnel and financial affairs. Such a practice engendered enterprises with a singular function of only grasping production, which resulted in dislocation between the quality of production and economic results in enterprises, wasting enormous manpower and material resources and concealing defects in enterprise management and for a long time hampering the expected progress of the national economy.

Since the implementation of the economic structural reform, we have smashed the method of "controlling and taking care of everything in a big way," gradually established a planning system which applies the law of value and attaches importance to the role of the economic lever. After the gradual expansion of decisionmaking power in particular, the quality of production in enterprises has been linked with economic results, thereby making it possible to reform and perfect the enterprises ideologically, in management method, and economically. The reform of the planning system has brought about competition in the market which compelled enterprises to transform from closed-production to open-production operations. As a result of this transformation, life and vitality have appeared in enterprises.

standpoint of commodity economy, the enterprises have strengthened the transmission of market information and its role and position in the planned management of enterprises. The planned management of enterprises began to develop from the mandatory type to one based on guidance, market forces and forecasts.

#### IV. The Trend of Developing the Form of Enterprise Leadership from the Pyramid Type of Centralized Leadership to the Matrix Type of Pluralistic Leadership

The enterprise leadership structure in the past had always emphasized centralization and excessive centralization. A pyramid-type structure appeared in leadership organs with strict division of grades and classes and tight control by one level over the other, with all matters, major or minor, having to be presented to the pinnacle of the pyramid (the highest level of leadership) for decision. It resulted in overemphasizing the linearity and uniformity of management and overlooked giving play to the enthusiasm, initiative and creativity of various levels, thereby putting the different levels of management in a passive state. This situation finds expression not only within the leadership stratum in enterprises but also in external leadership organs at all levels over the enterprise leadership. Because enterprises and other functional departments did not have the decisionmaking power they should have had, the enthusiasm of the administrative personnel was seriously curtailed, thereby affecting the accuracy, flexibility and time effectiveness in making policy decisions.

In recent years, we have, step by step, separated party from government functions and government from enterprise functions so as to provide the independently operating units the power they should have. The expansion of the decisionmaking power of enterprises, especially the promotion of the various forms of output-related responsibility system at various leadership levels in varied degrees, has expanded decisionmaking power at different leadership levels of enterprises varying in degrees. This type of delegation of power in the form of turning big power into small power has enabled departments concerned to decide for themselves, within the scope of their responsibilities, certain matters in the enterprises instead of going through managers or factory directors. This is one of the forms of pluralistic leadership in enterprises.

Pluralistic leadership finds expression not only in the pluralistic nature of leadership and the policy-decisionmaking system, but also in the separation of the power of operations from the power of supervision and even from the pluralistic system of power of enterprises created by the separation from ownership. The current trend is that the factory directors exercise the power of production and operations and the party committees and the congress of workers and staff members (or trade unions) exercise the power of supervision so as to separate the power of production and operations from the power of supervision and even to separate the power of operations from ownership as a result of personnel outside the enterprises taking part in operations (such as experts and expert groups).

## II. The Trend of Enterprise Structure Development from Pure Production to Production Scientific Research and Educational System

Enterprises with the singular function of grasping production do not have an operational concept and also do not think deeply and plan carefully about development. The function of such enterprises is confined only to fulfilling the plans handed down by the state with the enterprises subject to no external pressure or inherent demands for self-development. In this way, it is very hard to go after depth and magnitude regarding the development of enterprises and also impossible to make the enterprises do something worthwhile in scientific research and educational work. The needs of production cannot be reflected to scientific research and the results of scientific research cannot be promoted in production, thus production and scientific research and education are totally dissociated.

The economic structural reform and the impact of the new technological revolution have brought about a rigorous challenge to the production and operations of enterprises. Today, science and technology have become important forces of production. The relations between production and education are becoming more and more intimate, especially the education of workers and staff members, which has become an important way of intensively enlarging reproduction and a secret to winning in industrial competition. On-the-job education is not only suitable for young people but also for middle-aged and old people. These factors will enable enterprises to structurally move from the pure production type to the production, scientific research and educational system type.

## III. The Trend of Developing Planned Management of Enterprises From Stressing Mandatory Planning to Guidance Planning, Market Forces and Forecasts

In drawing up economic planning in the past, we overemphasized the uniformity and authority of the state planning and regulatory systems and overlooked the backwardness of the organization, structure and methods in the systems. As a result, in macroplan management, control was ineffective and poor, while in microplan management, control remained rigid and stiff, thus planned management of enterprises in most cases could only be carried out in a mandatory way, thereby stifling enterprise vitality and restricting the initiative and creativity of enterprises.

With the development of the economic structural reform, we have mentally recognized the socialist commodity economy, recognized the role and position of the law of value in the socialist planned economy, recognized the limitations and inaccuracy of the planning system and the planned regulatory system and recognized the danger of the enlarged scope and role of administrative-type mandatory planning and organizationally and systematically developed and established the planning system that applies the law of value. Thus, on the one hand, the scope and the role of guidance planning have either appeared or have been enlarged in planned management of enterprises thereby reducing the scope and role of mandatory planning. On the other hand, proceeding from the

#### V. The Trend of Developing Enterprise Management from the Administrative and Experience-Oriented Type to the Type Stressing Scientific Management

For many years, the management level in enterprises has not been elevated as it should because of the low cultural level of leading cadres in enterprises and their narrow outlook. It is also due to the influence of "left" guiding principles, disregard of the law governing enterprise management, disregard of the scientific approach and the economic results of enterprises and management by means of administrative orders and previous experience, as a result, the enterprises "only pay tuition but never pass the test" and their vitality and capabilities are not given the play they should have.

With the expansion of the decisionmaking power of enterprises, they are developing from the production type to the production-operation type, the administrative-type management based on experience in the past is no longer compatible and scientific methods are urgently needed to manage enterprises, thereby developing enterprise management toward scientific management.

#### VI. The Trend of Developing Enterprise Production from Large Batches and Few Varieties to Small Batches and More Varieties

For many years, the plans handed by the state decided for enterprises what to produce and how much. Generally speaking, the state took into consideration the production characteristics of each factory and assigned identical and almost identical products produced by similar factories to the enterprises. Although the varieties were limited and the yearly changes were not too great, the production batches were very large. This resulted in few varieties but large batches in enterprise production. If things were to continue this way, the ability of the enterprises to produce, process and manage could only cope with this form of production of few varieties but large batches, and the production of enterprises would be greatly affected once the readjustment of varieties had to be made based on the needs in society. Therefore, it is observed that while striving to fulfill the function of mandatory planning, enterprises in the past had neglected economic results in society.

In recent years, the reform of the planning system has made production planning much more elastic. The mode of production of enterprises characterized by few varieties but large batches cannot be continued, and the past practice of counting on producing one or two or several products to stay alive has become a thing of the past. Enterprises must satisfy the diverse needs of society and the market and at the same time fulfill the tasks prescribed in the plans handed down by the state. These manifold demands from different levels engender the manifold characteristics of varieties. Furthermore, since the quantity of production is determined by the volume of demand, the mode of production in large batches is no longer compatible, it should be replaced by smaller batches and more varieties.

#### VII. The Trend of Developing the Products of Enterprises From a Consistent System for More Than a Decade to Continual Improvement and Updating

In the past, the state had been exercising "state monopoly for purchase and exclusive marketing" over the enterprises resulting in the phenomenon of handling products under the same consistent system for more than a decade.

Now, socialist competition has taken away the basis of existence of this phenomenon of handling products under the same consistent system for more than 10 years. The quality of products, their functions and prices all have a direct impact on the economic results of enterprises, which will compel the enterprises to continually do research on new products and products of good quality, new technology and lower prices to take over the market, otherwise they will be eliminated in competition. This way will create a trend for enterprises to develop their products by improving and updating.

#### VIII. The Trend of Developing Leaders of Enterprises from Emphasizing Qualifications and Record of Service to Becoming Revolutionized, Better Educated, Professionally More Competent and Younger

In the past, in choosing a person for a job, qualifications and the record of service were prominently emphasized while intelligence and ability were neglected. The system of life tenure for cadres actually existed, with the cadres only ready to work at the top but not at the grassroots, thus seriously restricting the development of qualified personnel and depriving the entire society of vigorous vitality.

As a result of the reform of the cadre system, many cadres who are revolutionized, better educated, professionally more competent and younger have assumed leading posts at all levels, the age structure of cadres is coming closer and closer to the best age bracket of administrative personnel, thereby creating best conditions to turn our human resource to best account and at the same time also creating the best conditions for strengthening the vitality of enterprises.

#### IX. The Trend of Developing Workers and Staff Members of Enterprises From the Manual Labor Type to the Mental Labor and Intellectual Type

Two very prominent characteristics existed in the production and management modes in our enterprises in the past: 1) because the level of the productive force was low, the foundation for industrial development was weak, and due to a late start and a low degree of automation in production, enterprises were counting more heavily on workers' physical strength; 2) because after the founding of New China, we continued to use the Soviet management modality of emphasizing the rigid and mechanical leadership from top to bottom, workers and staff members were emphatically asked to comply with the arrangements made by the leadership only and work well, they were not required to think as to how to do their work more effectively, this way restricted the putting into play of the ability and wisdom of the people.



The economic structural reform and the continual development of production and the steady exploitation of new equipment and new products have not only made the cadres think over the economic results and operational activities of enterprises, but have also made them think about how to raise labor productivity after the various forms of the economic responsibility systems and contracts are popularized; the workers and staff members must not only think about the amount of labor but also the results in productive activities. This self-readjusting process of workers and staff members in the course of production is precisely the process of integrating manual labor with mental labor, making it more and more dependent on mental labor. Through self-readjusting activities, workers and staff members are developing from "appendages of machinery" more toward the direction of becoming the true masters and cores of enterprises. Those workers and staff members who loved to reflect on things but were often looked upon as defiant to leadership and unruly in the past now have the opportunity to exploit their own ability. The criteria for good workers call for workers not only to follow orders and work as in the past, but also call on them to think and know how to work. On the other hand, as the level of automation in production rises, most of the work relying on physical strength in the past is now being replaced by machinery. It needs not only workers with good physical strength but also workers with a higher level of education to operate this kind of machinery with a higher degree of automation. The production process itself is becoming steadily more complicated also, the state of affairs that relied on craftsmanship and experience in work as in the past is completely incompatible, what is required is higher levels of education and specialization at the same time.

#### X. The Trend of Developing Enterprise Tactics from the Executive Type to the Best Type

In the past, there was no room for enterprises to choose tactics for development. For example: 1. In production, supply and marketing, the state decided for the enterprises what to produce and even how to produce and how to sell. 2. Personnel assigned by superior organizations and departments had to be accepted whether or not they could satisfy demand. Enterprises had no right to pick personnel they needed. 3. The leadership makeup and composition of workers and staff were rigid. The leadership could not pick capable persons to be its assistants, nor could workers and staff members choose persons as leaders to their own satisfaction. The composition of various levels was loose but mutually restrictive and efficiency was poor. 4. The work system was stiff and rigid with time for reporting and getting off work fixed which could not be selected by workers and staff members based on needs.

Now, the expansion of the decisionmaking power of enterprises has provided manifold possibilities and conditions for the development of enterprises. In pursuit of their own results and efficiency, the enterprises have also continually pursued the best results amid these manifold possibilities and conditions, a method which makes enterprises develop toward the best form tactically. In production, supply and marketing, enterprises can choose the



best products and the best plans based on the needs in society and their own results. In the selection of personnel, the enterprises can, through examination, recruit new workers and staff members to their own satisfaction and also pick qualified personnel from society by advertising for workers. With respect to the composition of personnel, first of all, future leaders can only be promoted to leading positions through public opinion polls, investigation by organizations and even through election campaigns. Second, leaders once elected may choose their assistants through the method of "freely forming a cabinet" so as to achieve the best makeup of the leading bodies. Workers and staff members, on the one hand, may select the most satisfactory persons to be leaders and, on the other hand, the contracting groups in various forms may, through the method of free composition, achieve the best composition among men. In work system, the enterprises and workers and staff members may draw up the best work plans by means of various elastic systems, by adopting various methods and different hours and based on the best livelihood arrangements and the best production hours of the enterprises.

In management theory and practice, the enterprises can achieve the best management by making comparisons in varied ways and analytically absorbing various advanced and scientific methods of management from abroad in reference to their own actual condition and in the spirit of seeking truth from facts.

From the above several aspects, it can be seen that the development of enterprise tactics from the executive type to the best type is being achieved on the manifold bases emerging in society since the structural reform.

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ZHEJIANG 1985 DEVELOPMENT PLAN: EXCERPTS

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["Excerpts" of Report on Draft 1985 Zhejiang Economic and Social Development Plan--by Cheng Jingye, director of the Zhejiang Planned Economic Commission, at the 3d Session of the Sixth Zhejiang Provincial People's Congress on 6 June--ZHEJIANG RIBAO headline]

[Text] Fellow Deputies:

At the request of the Provincial People's Government, I now submit to you the Draft 1985 Zhejiang Economic and Social Development Plan for your deliberation.

1. Execution of the 1984 Plan

Thanks to reforms and open policies, as well as the hard work exerted by people throughout the province, Zhejiang made new headway in its economic and social development in 1984. The province's gross social product reached 62,624 million yuan, an increase of 28 percent over 1983; the total industrial and agricultural output value reached 52,907 million yuan, an increase of 26.5 percent over 1983. Compared with 1983, the national income increased [figure indistinct] percent, reaching 27.67 billion yuan; the province's revenue increased 12.6 percent, reaching 4.58 billion yuan; the total turnover of retail trade increased 19 percent, reaching 14.91 billion yuan; the amount of foreign exchange earned from exports increased 12.7 percent, reaching \$737 million; and the number of new students enrolled in ordinary schools of higher education increased 17 percent, reaching 15,000. All these figures show that the targets for 1984 were overfulfilled, and the targets set for 1985 by the Sixth 5-Year Plan accomplished 1 year ahead of schedule.

The conspicuous features of Zhejiang's economic development were:

First, bumper harvests were reaped in all sectors of agricultural production and new changes took place in the rural areas' economic structure. The province's total value of agricultural output was 29 percent higher than 1983, reaching 20,543 million yuan. Of this increase, the value of output by industrial units operated by villages or smaller units increased by 73.4 percent. New records were set in production of such major crops as food grain,

cotton, silk cocoons, ambari hemp, jute, tangerine, and others. The rural areas' economic development continued aiming at large-scale, specialized, and modernized commodity production. Households engaged in various types of specialized production, as well as integrated economic establishment, and rural enterprises, were growing in great numbers, and the commodity rate of agricultural and sideline products rose to 59.3 percent from 58.4 percent the year before.

Second, light and heavy industries continued to grow in a coordinated manner. The province's total value of industrial output increased 24.5 percent, reaching 32,364 million yuan. Of this increase, the output value of light industry increased 26.2 percent over 1983, reaching 20,166 million yuan, and the output value of heavy industry increased 21.6 percent, reaching 12,198 million yuan. New successes were also achieved in improving the economic performance in industrial production. Productivity of industrial enterprises owned by the whole people was 10.2 percent higher than 1983, and unprofitable state-operated industrial enterprises lost 41.8 percent less money than the preceding year. In both cases, the results were better than anticipated in the state plan. In cargo and passenger transportation, communications and transport departments operated by the state or by large collectives carried 23.27 billion metric tons-kilometers of goods and covered 15.78 billion passenger-kilometers. That was an increase of 9.5 percent and 17.1 percent, respectively, over 1983.

Third, investment became more rational, and the pace of opening to the outside world was accelerated. Of the province's 1.7 billion yuan invested in capital construction projects of units owned by the whole people, 570 million yuan, or 52.3 percent higher than that of 1983, was spent on energy, communications, postal and telecommunications projects; and 210 million yuan, or an increase of 35.9 percent over 1983, was spent on scientific, educational, cultural, and public health projects. Of the 820 million yuan spent on renovation projects of units owned by the whole people, 290 million yuan was spent on projects for conserving energy and raw and semifinished materials, increasing product variety, improving quality of goods, and improving transportation facilities. That was 35.3 percent of the total amount of renovation investment, an increase of 4.8 percent over that of the preceding year. Because of sounder investment, the national economic development became more rationalized and coordinated, and the use of foreign capital and technology was expedited.

Fourth, new successes were achieved in promoting scientific and technical education and social services. Of the 758 natural science research projects accomplished in the province in 1984, nine won state awards. Thanks to the 130 major technical development projects carried out in 1984, over 20,000 new products, new designs, new varieties, and new packaging methods were developed. Twenty-one industrial products in the province won gold or silver medals of the state, and 400 kinds of quality products were introduced. In the educational sector, ordinary schools of higher education enrolled 15,000 new students, or 2,300 more than the year before; and technical secondary schools enrolled 16,400 new students, or 3,400 students more than the year before. Higher education for adults and professional and technical education continued to develop, and what used to be unitary secondary education was

beginning to change. New successes were also achieved in the cultural field, sports, and public health services. During major tournaments at home and abroad, athletes of various sports won 75 gold medals, 44 silver medals, and 32 bronze medals. Hospitals had an additional 2,000 beds and over 5,700 additional health and medical workers. Conspicuous successes were achieved in family planning. The province's natural population growth rate dropped to 6.53 per 1,000.

Fifth, urban and rural markets were brisk and the people's incomes increased. The province's total social commodity retail sales amounted to 14.91 billion yuan, up 19 percent from the previous year. Transactions at urban and rural fairs were close to 2.7 billion yuan, an increase of 24.4 percent over the previous year. As the sources of commodities were comparatively richer and commodity circulation was gradually made open and flexible, urban and rural markets became prosperous and brisk. The people's livelihood further improved.

The above situation shows that the economic situation in 1984 was indeed unprecedentedly good. It was the result of persistence in reform, in opening to the outside world, and in invigorating the economy. Experience shows that the orientation and policy of reform decided by the party Central Committee is absolutely correct.

Some noteworthy problems also arose in the course of economic development. The first one was the too rapid increases in extra-budget capital construction investment and consumer funds. The second was the shortage of electricity and transportation means; the contradiction between the insufficient supply of raw and semifinished materials and the increasing demand for them was quite acute; the prices of rolled steel, cement, and non-ferrous metals not under the state unified allotment rose. Coupled with enterprises' inability to overcome difficulties, economic results were unsatisfactory in many instances. The third problem was that beginning in the latter half of 1984, there was a shortage in increasingly more commodities and the prices of some of them soared.

## 2. Main Tasks of 1985 Plan

The main tasks of the 1985 provincial national economic and social development plan were: to implement the Provincial CPC Committee's "Two-Reform and Two-Open" policy, persist in economic restructure, successfully open to the outside world and the interior, step up the development of intellectual and natural resources, maintain a sustained, stable, and harmonized economic development, and overfulfill the Sixth 5-Year Plan to pave the way for the Seventh 5-Year Plan. The main targets set in the plan are:

The growth rate of the total agricultural output value is 6 percent; of this, the total output value of village-run industries being approximately 20 percent.

The growth rate of the total industrial output value is 10 percent; of this, light industry's growth rate being 11 percent, that of heavy industry 9 percent, that of township-run industry around 17 percent.

The growth rate of national income is 7 percent.

The total investment in fixed assets is 2.28 billion yuan, basically the same as in the previous year in comparable terms.

The total retail sales of social commodities is 16.6 billion yuan, up 13 percent from the previous year.

The total local exports volume is U.S. \$776 million, 5.3 percent over the previous year.

Revenue is 4.99 billion yuan, 8.9 percent over the previous year.

Enrollment of regular institutes of higher learning 16,500, a 10 percent increase over the previous year.

The tasks and targets set for all industries and trades are:

(1) To strive for sustained, stable and harmonized growth of production, with increasing the economic results the central task. The 8.5 percent increase rate set for the province's total industrial and agricultural output value leaves a great deal of leeway. The purpose is to enable localities, departments, and enterprises to concentrate their efforts on straightening out economic relations and increasing economic results to facilitate the economic restructure.

The main task for developing the rural economy is to continue to put the superiority of the comprehensive agricultural economy in our province into full play and to readjust the industrial structure in line with the consumption demand and the requirements of trade, industry, and agriculture. In the relations between grain and the diversified economy, the total output of grain to be produced under the plan has been set at 16.5 million tons in accordance with the guideline of "basic self-sufficiency and areas with surplus grain sharing with grain-short areas" laid down by the provincial government. The grain acreage will be adequately reduced for primarily developing cash crops of 1-year ripening period so that the crop structure remains more flexible. Except for a small number of low-lying areas and city suburbs where certain grain fields may be changed into fish ponds and grain-field hill-slopes into forest land, all in a planned way, regular cultivated land in general will not be changed into orchards, which take several years to produce results, or into any other non-cultivated land. More labor forces in the countryside should be released from cultivated land to undertaken pioneering agricultural production, village- and town-run enterprises and the tertiary industrial enterprises. Major assistance and support will continue to be given to the five economically difficult counties--Pan'an, Taishun, Wencheng, Yongjia, and Jingning.

As for the output of major industrial products, coal output is set at 1,326,000 tons, of which 1,020,000 tons are required by mandatory planning; electricity output is 11.64 billion kwh, of which 9.44 billion kwh is required by mandatory planning; steel products subject to provincial unified distribution, 240,000 tons, chemical fibres, 33,100 tons. The output of major products

called for by guidance planning: cotton yarn, 557,000 pieces; cloth, 408 million tons; washing machines, 1 million sets; refrigerators, 146,000 sets; and televisions, 500,000 sets. To adjust to the new situation in which the scope of mandatory planning is narrowed and that of guidance planning and market regulation expanded, we must pay attention to the following three aspects in industrial production: First, vigorously increase the products which meet the market demands, develop new products, increase variety, improve quality, and strive to raise the quality stability rate to 80 percent or higher; second, strive to economize on raw materials, fuel, and energy, raise labor productivity, and increase the output per worker of all industrial enterprises by 7 percent; and third, strengthen information work and market forecasting, improve management and operation, reduce funds tied up by products or finished products, accelerate capital turnover, and improve marketing services;

Developing tertiary industry is an objective requirement for promoting industrial and agricultural production, improving the people's livelihood, and raising social and economic efficiency. We must work out a well-thought out plan, relax policy restrictions, and gradually solve the price problem of tertiary industry to promote service trades of all kinds in both urban and rural areas that provide services for production as well as daily life. State-owned units, collectives, and individuals should all pitch in to develop tertiary industry, increase the number of people employed by tertiary industry, and increase its proportion in the economy. We should regard the development and construction of a tourist network with Hangzhou at its center as an important part of the development of tertiary industry in Zhejiang and pay special attention to this work. We should promote the development of the first and second industries by way of accelerating that of tertiary industry and gradually rationalize the production structure of the whole society.

(2) Make proper arrangements for the scale of investment in fixed assets and implement the policy of stressing technological transformation, renovation, and expansion of the existing enterprises. Total investment in capital construction in 1985 is set at 1.5 billion yuan by the state, of which 940 million yuan is provided by the various central ministries and 560 million yuan is raised locally. The principle for arranging local capital construction investment is: Stressing renovation and expansion of existing enterprises and, generally, no investment should be arranged for new projects; priority should be given to transportation, the energy and raw materials industries, as well as scientific, educational, cultural, public health, and social development projects. The planned investment in transportation is 67.7 percent higher than the previous year; investment in energy is 36.4 percent higher; and investment in scientific, educational, cultural, and public health undertakings is 38.7 percent higher.

Total investment in technological transformation ratified by the state is 780 million yuan. The investment should mainly come from funds raised by enterprises and bank loans. In technological transformation, priority should be given to economizing on energy, improving communications and transportation facilities, building supporting facilities for the machinery and electronics industries, increasing the silk and fabrics printing and dyeing capacity, and



developing new technology, basic raw materials, and new packing materials for light industry and the food industry. The various localities and departments should make adequate arrangements for projects with stress on the key ones, their completion, and economic results to fully utilize the advantages of technological transformation, that is, less investment, shorter construction cycle, and quicker results.

(3) Strengthen energy and communications construction and alleviate the strains on electricity and transportation. We must uphold the principle of "attaching equal importance to broadening new sources and practicing economy." Efforts should be made to accelerate the progress of projects under construction and encourage people to pool funds to run power stations. It is necessary to produce more coal and electricity from small coalpits and hydroelectric stations by maximizing their capacity. Electricity produced by local-run thermal and hydroelectric stations, electricity purchased at high prices to fill gaps in power supply, and electricity generated from coal imported from elsewhere are not deducted from the amount of power provided by the unified distribution plan. Continued efforts should be made to economize on energy. The province plans to save 520,000 tons of standard coal, including 460,000 tons of raw coal, 460 million kwh of electricity, 70,000 tons of oil products, and 10,000 tons of coking coal. A total of 42 energy-saving technological transformation projects for economizing on electricity, manufacturing energy-efficient equipment, comprehensively utilizing low calorific value fuel, and rationalizing the use of heat supply systems have been arranged, requiring 240 million yuan in investment.

It is necessary to accelerate communications and transportation construction, rationally readjust the transportation structure, and expand the transportation capacity. Special attention should be paid to speeding up the progress of projects under construction so as to put them into operation at an early date. It is necessary to mobilize all sectors of society to raise funds through various channels to develop all kinds of transportation projects. Efforts should be made to rationally organize transportation by railway, water, and highway, and fully utilize transportation by water and highway to relieve the strains on railways. Vigorous efforts should be made to develop joint transportation and organize transport departments to ensure that hubs of communications such as harbors and stations remain unimpeded. Transportation administrative departments should strengthen coordination, supervision, and management and do a good job in transportation safety.

(4) To further implement the policy of opening to the outside world and greatly develop foreign trade. After approving Ningbo and Wenzhou as cities opening to the outside world in April 1984, the State Council again this year approved Jiaxing and Huzhou and four counties under these two cities' jurisdiction to become the changjiang delta economic zone opening to the outside world. We must make good use of these favorable conditions to quicken the pace of Zhejiang's opening to the outside world. We must do a good job in utilizing foreign funds, actively attract direct investments from abroad, and develop joint ventures, jointly managed enterprises, and compensation trade. With regard to projects already signed, we must keep to the contracts, fulfill our promises, and engage in construction according to schedule. We must



make greater efforts to import technologies, particularly software technology and advanced foreign technologies which can help us increase our exports and earn more foreign exchange so as to improve our product quality, increase the variety of colors and designs, and increase sources of foreign exchange. We must make greater efforts to digest and absorb imported technologies, blaze new trails, and prevent duplicate imports.

It is necessary to actively expand exports. We must guarantee the fulfillment of the mandatory export plan and strive hard to overfulfill it. To guarantee the fulfillment of our export plan, we must keep to the principle of "five priorities" for export commodities. We must give priority to the supply of raw and other materials, auxiliary materials, fuel and power, and transportation needed for the production of export commodities. Banks must extend loans on a priority basis to supply circulating funds needed for the production and purchase of export commodities. It is necessary to further develop the processing of materials from abroad and expand labor export.

Speeding up Ningbo City's opening to the outside world and construction is an important task in Zhejiang's opening to the outside world and economic construction in 1985 and a period of time hereafter. It is necessary to do well in drawing up Ningbo City's overall plan and constructing its basic facilities in accordance with the State Council's demand to build Ningbo City into an important industrial city and a port for foreign trade in East China. To meet Wenzhou City's needs in opening to the outside world, we must speed up construction of Wenzhou's airport, wharves, and other basic facilities and the Jinhua-Wenzhou Railway.

(5) To develop ties with other provinces, cities, and companies and expand economic and technological coordination. First, it is necessary to encourage enterprises to use their own funds, technology, and products and to adopt a variety of methods, including joint venture, compensation trade, coordinated production, joint production and marketing, joint purchase and marketing, and technical advisory service, to develop a great variety of coordination and association between trade, cities, areas, and units of different ownerships. Second, it is necessary to create conditions to develop step by step various kinds of open markets. It is necessary to establish means of production trade centers and to develop technology, information, and other markets in some cities. Third, it is necessary to continue to develop economic ties with fraternal provinces and cities, nationwide companies, and large enterprises and promote various forms of coordination and association in a planned way.

(6) To guarantee supplies to urban and rural markets and meet the needs of the people's improving living conditions. First, it is necessary to increase the production of marketable products. The province has made arrangements to increase the output of 40 kinds of major consumer goods for everyday use by supplying raw and other materials, fuel, and power on a priority basis. Second, it is necessary to guarantee the supply of nonstaple foods in cities. Since the decontrol of the purchase of farm and sideline products, the supply of nonstaple foods in the cities has been decided mainly by market regulation. It is necessary to run well farm and sideline product trade centers, wholesale markets, specialized markets, and fairs; to develop households specialized

in purchase and marketing, and to encourage peasants to enter cities to market fresh farm produce and live sideline products. In addition, it is necessary to make great efforts to supply the countryside with industrial consumer goods for everyday use and guarantee the supply of farm machines and electrical products, means of transport, chemical fertilizers, insecticides, and other means of production. Third, it is necessary to strengthen market and price management. All industrial and commercial enterprises must strictly implement the state price policy and the related regulations on market management to protect consumers' interests.

(7) Strengthen scientific and technological education to further meet the needs of economic construction. It is necessary to resolutely implement the guidelines of the central authorities, decisions on reform of the scientific, technological, and education structures, and to develop scientific, technological, and educational undertakings. With respect to scientific and technological work, it is necessary to explore the technological market, reform the fund allocation system, and bring into play the intrinsic vitality of scientific research organizations through structural reforms so as to meet the needs of economic construction. It is necessary to firmly grasp the fulfillment of major scientific research projects set forth in the Sixth 5-Year Plan and major technological development projects arranged in the past 2 years, and to score achievements and results as soon as possible. It is necessary to promote the integration between research, education, and designing organizations and production units, and to strengthen the enterprises' capabilities to absorb and develop technologies so that scientific and technological achievements can be extensively applied to production. It is necessary to speed up the development of new products to meet the needs of domestic and foreign markets.

In developing educational undertakings, it is necessary to start from basic education and to popularize obligatory primary school education throughout the province by 1988. In urban and economically developed areas, it is necessary to popularize obligatory junior middle school education by 1990, according to the quality and quantity required by the respective areas. In other areas, it is necessary to popularize ordinary, vocational, and technological education at the junior middle school level. It is necessary to regard the construction of a sufficiently strong, properly qualified, and stable contingent of teachers as a fundamental plan for the enforcement of obligatory education and the enhancement of the level of basic education, and to strive to do a good job in carrying out the education of teachers from kindergarten up to the level of schools of higher learning. It is necessary to readjust the intermediate educational structure, vigorously develop vocational and technological education, fully tap the potential of existing specialized and technological schools, and expand the scale of enrollment. Under the 1985 plan, it has been arranged to enroll 18,500 students for intermediate specialized schools, or 12.6 percent more than last year. It is necessary to plan to change a number of ordinary high schools into vocational high schools, or to add vocational classes to such schools, so as to bring the number of students receiving intermediate vocational and technological education in the province to more than 30 percent of the number of students of high school level by 1985. It is necessary to reform the enrollment plan and the system

of distributing graduates of schools of higher learning, and to expand the self-decision powers of such schools. It is necessary to change the situation of having an improper proportion of specialized installations and departments at schools of higher learning, and to speed up the development of finance, economics, management, urban construction, politics, law, and other specialized departments, according to the needs of economic construction, social development, and scientific and technological progress. It is necessary to increase the proportion of enrollment in higher specialized schools, and to bring into full play the potential of existing institutes and schools, improve their quality, and increase their enrollment. According to mandatory plans, 16,500 students will be enrolled for ordinary schools of higher learning in 1985, or 10 percent more than last year. Adding to this the number of people accepted by these schools for training on behalf of other units, they make up a total of 18,000 students.

In the past few years, new developments have been made in education, culture, public health, physical culture, urban maintenance and construction, and other social development activities. However, the foundations are still weak and do not meet the needs of economic development. Aside from the increases in allocations for science, education, culture, and public health, the raising of funds for running these undertakings will depend on various forces in society.

### 3. Reform of Planning Structure and Strengthening of Macroeconomic Management

In carrying out reform of the planning structure in accordance with the guidelines of the decisions of the 3d Plenary Session of the 12th Party Central Committee, it is necessary to break the traditional idea of pitting planned economy against commodity economy, to strive to learn how to conscientiously apply the law of value, and to gradually establish a planning structure which combines unification and flexibility and conforms with the planned commodity economy. It is necessary to succeed in handling the major part well and in relaxing and enlivening the minor part at the same time. In accordance with this demand, the major tasks in reform of the planning structure this year will be to reform the system of unified procurement and the system of procurement according to quotas; to reduce the scope of mandatory plans for industrial products and expand the scope of guidance plans and market regulation; to delegate the powers of examination and approval; and to expand self-decision powers in school enrollment and graduate distribution.

While enlivening the economy, it is also necessary to strengthen macroeconomic management. Correct handling of the relationship between speed and economic results is an important task in current macroeconomic management. We must practically implement the idea of "continuing to adhere to the principle of seeking truth from facts and advancing steadily" as pointed out in the resolution of the 3d Session of the Sixth NPC; gradually set the speed of economic development at the proper level; focus our attention on vigorously enhancing economic results; and make efforts to stress improving production quality, enlarging product variety, and reducing energy and raw material consumption. In strengthening macroeconomic management while dealing with new situations and new problems which have presently emerged, the important thing is to grasp the following aspects:

First, it is necessary to strictly control the scale of capital construction investments in accordance with state plans. The scale of investments listed in the state capital construction plans should not be expanded. Building tax should be paid for construction projects that use self-raised investments, and a 10-percent additional building tax should be levied on the portion of self-raised investments exceeding the 10-percent floating allowance. To utilize self-raised investments, it is necessary to open a special account for such investments with construction banks and adhere to the principle of "depositing the investments first and utilizing them after approval." The building tax should be deposited with banks together with the self-raised investments, and no construction can be started on projects for which building tax has not been paid. Using bank loans to expand the scale of investments in the name of self-raised investments is prohibited. The capital construction projects that have been approved should be reexamined so that reductions, or postponements, can be made if appropriate. Land management regulations should be strictly observed for requisition of land for capital construction projects.

Second, it is necessary to make rational arrangements to control the rate of growth of consumer funds. It is necessary to persist in gradually improving the people's livelihood on the basis of developing production. The reform of wages and the distribution of bonuses should both be carried out in accordance with the relevant State Council regulations. Unscrupulous wage increases, grade raises, and distributions of bonuses, subsidies, or commodities, in violation of state rules, are not allowed. Utilization of production funds for wage and welfare purposes should be stopped. It is necessary to resolutely reduce administrative expenditures and mass social organizations' purchasing power.

Third, it is necessary to strengthen the management of credit funds and do a good job in managing and enlivening the use of credit funds. Different treatment should be given in different situations, positive support should be given for things that deserve support, and strict control should be imposed on things that require control. Priority support should be given to commodities that suit market demands, to production and procurement of export commodities, and to development of energy and transport. No loans should be extended to deficit-ridden enterprises whose products are of low quality, whose sales are poor, and whose management has since long been inefficient. For rural credits, it is first of all necessary to ensure the needs of funds for agricultural production and the procurement of agricultural and sideline products. Village and town enterprises should rely mainly on the accumulation of self-provided funds. It is necessary to strengthen work on loan repayment, to strive to organize funds in various ways, to tap funding potentials, and to support economic development. It is necessary to strengthen foreign exchange management, while all localities, departments, and enterprises should make rational use of their retained portion of foreign exchange according to plans.

While strengthening macroeconomic management, it is also necessary to strengthen the management of mandatory and guidance plans in the production and circulation sphere. As the products listed in mandatory plans are important products that have a bearing on the national economy and people's livelihood, enterprises must ensure the production, allocation, and transfer of such

products in accordance with state plans. Regarding products listed in guidance plans, the producing enterprises should arrange their production and organize their sales according to the availability of raw materials and energy and according to market needs, along the direction set forth in the plans. To ensure market supplies in the province, the commercial departments are generally required to purchase 50 to 70 percent of the products whose raw materials are supplied by the state at reduced prices. Governments and planning departments at all levels should strengthen the management of guidance plans through economic and administrative means. State-run commercial enterprises should take part in regulating the market and bring into play their role as the main channels. Industrial and commercial departments and enterprises should closely cooperate with each other, support each other, and jointly and effectively arrange the marketing of consumer products for daily use to ensure the people's livelihood.

CSO: 4006/793

FUJIAN PROVINCE REPORT ON 1984, 1985 BUDGETS

OW090057 Fuzhou FUJIAN RIBAO in Chinese 13 May 85 p 2

[Report on the Execution of the 1984 Budget and on the 1985 Draft Budget by Zhou Baoyuan, acting director of the Fujian Provincial Department of Finance, at the Third Session of the Sixth Fujian Provincial People's Congress on 27 April 1985]

[Text] Fellow deputies:

On the instruction of the provincial people's government, I am now submitting for your examination a report on the execution of the 1984 budget and on the 1985 draft budget.

I. Execution of the 1984 Budget

In 1984, as a result of the efforts made by the people of our province under the leadership of the provincial CPC committee and government and with party rectification, reform, and the open policy as an impetus, our economic situation was the best in recent years. Remarkable achievements were noted in all sectors of our economy. Industrial and agricultural production grew steadily with a general improvement in economic results. New progress was made in the work of foreign economic relations. Capital construction proceeded at a faster pace. Conspicuous results were achieved in technical transformation. The markets in urban and rural areas were more animated than ever. New developments were noted in the work of science, education, culture, and public health. And the people's living standards further improved. On this basis, our financial situation continued to improve. Revenue was no longer on the decline as in the past 3 years, and what is more, the total amount of revenue hit a record high. On the other hand, expenditure also showed a rather big increase. Revenue and expenditure were balanced.

The budget adopted by the Second Session of the Sixth People's Congress last year set the revenue at 1.51 billion yuan. This plus the central authorities' subsidy of 120 million yuan came to a total of 1.63 billion yuan. The total expenditure set in the budget was 1.65 billion yuan. This left a deficit of 20 million yuan. According to the preliminary calculation of figures submitted



from various localities, the revenue was 1,678 million yuan. After deduction of 13 million yuan from the central-level enterprises' profits which represented the amount of tax they must pay to the central authorities as a result of the second-stage measure of replacing profit delivery by tax payment, the actual revenue of our province was 1,665 million yuan, or 110.1 percent of the budgeted revenue for last year. Calculated on a comparable basis, this showed a 15.2-percent rise over the preceding year. Enterprise revenue stood at 249 million yuan, or 116.1 percent of the budget. Industrial and commercial tax revenue was 1,325 million yuan, which, after deducting the tax payment from the central-level enterprises' profit, was 118.2 percent of the budget. Salt tax revenue amounted to 69 million yuan. Agricultural tax revenue was 73 million yuan. Other revenues amounted to 32 million yuan. All were more than the amounts set in the budget. [figures as published]

The budget adopted by the Second Session of the Sixth Provincial People's Congress showed an expenditure of 1.65 billion yuan. Later in the implementation of the budget, the Ninth Session of the Standing Committee of the Sixth Provincial People's Congress adopted a resolution to increase the provincial-level expenditure budget by 15 million yuan. With this increase plus the special subsidies added by the central authorities in the amount of 183 million yuan, the expenditure budget was finally adjusted to 1,848 million. According to figures so far available, our total actual expenditure was 2,052 million yuan, or 111 percent of the budgeted expenditure. This included appropriations for capital construction in the amount of 349 million yuan, or 132.7 percent of the budget for this; funds for tapping potentials and transformation of enterprises and subsidies for technical transformation of county-run "five small industries" totaling 69 million yuan, or 85.8 percent of the budget for this (some additional funds provided by the central authorities would be used in 1985 due to late arrival); expenditure in support of agriculture 242 million yuan, or 110.3 percent of the budget; for this expenditures for cultural, educational, science, and public health projects 659 million yuan, or 108.4 percent of the budget for this; and administrative expense 282 million yuan, or 127.3 percent of the budget for this.

With regard to the execution of the 1984 budget, explanation should be made on the following two points: One, the budget adopted by the Second Session of the Sixth Provincial People's Congress last year stipulated that an amount of 100 million yuan be raised by pooling the funds from various departments so as to ensure the balance of revenue and expenditure. In the execution of the budget, however, it was found that the revenue showed a trend to increase, and hopefully revenue and expenditure would be balanced. In addition, we took into consideration the requests of certain departments and their actual difficulties. As a result, we only raised 50 million yuan. Two, some cities and counties spent money for capital construction projects and for operating expenses on some undertakings by utilizing the surplus funds left over from the preceding year and the extra revenue earned last year. Because of this, the amount of expenditure exceeded the original budget.



Regarding the 1984 balance of revenue and expenditure, revenue amounted to 1,678 million yuan, plus income from the enterprises' basic depreciation fund totaling 29 million yuan, various subsidies appropriated to the province by the central authorities totaling 321 million yuan, and the province's share of surplus funds for key state energy resources and communications construction projects collected during the previous year totaling 28 million yuan. Total revenues came to 2,056 million yuan, while the total expenditures were 2,052 million yuan. The balance came to about 4 million yuan.

The 1984 budget was well executed. Both revenue and expenditure increased greatly compared with the previous year. Revenue and expenditure were balanced. This was the result of the policy making reforms; opening to the outside world, and invigorating the economy and the measures to increase revenue and economize expenditures adopted in all localities and by all departments under the leadership of the provincial party committee and the provincial government. In order to fulfill the economic plan and balance revenue and expenditure in 1984, we did the following work:

1. Making efforts to develop production, expand commodity circulation, increase economic results, and promote greater increase of revenue. As soon as the year began, the provincial party committee and the provincial government paid great attention to production and economic results and, in accordance with the potential for Fujian's economic development, set demands for production development. Fujian's enterprises received more decision-making powers and developed production as a result. They actively readjusted the product structure, made efforts to develop new technology and new products, and explored new markets. They also attached great importance to increasing economic results, eliminating deficits, and increasing profits. As a result, along with the development of production and the increase of economic results, Fujian's revenue greatly increased. Fujian's total industrial and agricultural output value in 1984 increased by 21.3 percent over the previous year. Calculated according to comparable specifications, revenue increased by 220 million yuan, up 15.2 percent from the previous year. Both the amount and extent of the increase achieved all-time records in recent years. This was a very great achievement.

2. Actively supporting the needs for key construction projects and intellectual investments. Fujian's appropriations for capital construction in 1984 came to 349 million yuan, up 53 million yuan from the previous year or an increase of 18 percent. Of that sum, investments for developing energy resources and communications amounted to 87 million yuan, up 117 percent from the previous year: appropriations for special economic zones and economic and technical development zones came to 70 million yuan, an 100-percent increase. To implement the provincial party committee's policy of "winning victory through intellectual resources," Fujian further strengthened its intellectual investments. Operating expenses for Fujian's cultural, educational, scientific, and public health institutions totaled 659 million yuan. That was another increase of 89 million yuan on the heels of strong growth in 1983. The increase was 15.6 percent more than in the previous year and has been quite great in recent years. Of the sum, educational funds increased by 15.2 percent, scientific funds by 61.8 percent; and public health funds by 8.8 percent. The increase of the above two expenditures accounted for two-thirds of the 1984 revenue

increase. In 1984, headway was made in capital construction investments; construction of key projects was further strengthened; the proportion of investments in energy resources, communications, education, public health and scientific research greatly increased; and a number of additional productive forces became available. There was rapid development in cultural, educational, scientific, and public health institutions. In 1984, Fujian's institutes of higher learning admitted 12,200 new students, an increase of 2,700 new students or 27.9 percent higher than in the previous year: 161 achievements in scientific research were awarded by the provincial government, including 33 disseminated for application; public health and medical facilities continued to improve; and major breakthroughs were made in physical culture and sports. In promoting socialist spiritual civilization, new headway was made in cultural, journalistic, broadcasting, television, and other undertakings. Moreover, in addition to state appropriations, new results were achieved in raising school funds through different channels.

3. The second step was taken in switching to the substitution of tax payments for profit deliveries, and other reform measures were taken in handling financial and tax matters. In order to properly handle the relationship between the state and enterprises in financial distribution, the second step was taken in replacing profit deliveries with tax payments following the completion of the first step in October 1984. This reform has ensured the steady growth of state revenues and given more vitality to enterprises. This has enabled the various enterprises to strengthen their ability to transform and develop themselves. While carrying out the reform of replacing the delivery of profits by state enterprises with payment of taxes, preferential treatment in levying taxes was given to village and town enterprises, enterprises of the second light industry, joint ventures, and enterprises which developed new products. In addition, a unified retirement fund system was established with the approval of the provincial people's government in order to properly solve the contradiction of unequal burdens among enterprises, correctly reflect the operation of enterprises, and facilitate independent accounting and assumption of responsibility for profits and losses by the various enterprises. Living expenditures for retired staff members and workers to the various state industrial and transport enterprises will be "paid according to a fixed rate and managed under a unified method." These measures have all played a positive role in promoting production and technological progress and invigorating the circulation.

4. Living conditions of people in urban and rural areas have been further improved. In order to stabilize commodity prices on the market, financial departments appropriated 416 million yuan as subsidies for making up losses in producing and processing grain, edible oil, cotton, coal and supplementary food products and for the disparity in prices, an increase of 9.8 percent as compared with the previous year. They also appropriated 14 million yuan for the resettlement of youth in cities and towns, providing jobs for 135,000 people. Housing for staff members and workers, with a total area of 2,354,700 square meters, was built. All this has played a favorable role in stabilizing commodity prices on the market, improving people's living conditions, ensuring stability and unity, and whipping up enthusiasm on all fronts.

Generally speaking, financial work made headway in 1984. However, we must also see that there are still quite a few problems in our economic and financial work. Economic results of investment in production, circulation, and capital construction were not high enough and some could not meet plans. The collection and management of taxes still could not meet requirements of the developing situation. Cheating, tax evasion, and delay in paying taxes still prevailed. Some localities haphazardly reduced or exempted taxes beyond their authority. Some localities spent money in a generous and wanton manner in disregard of repeated orders issued by the central authorities and the province. Some units issued bonuses and allowances in cash or in kind in violation of financial and economic discipline. Some units used loans for their administrative expenses without considering their own financial capability. All this was related to loose management and control by the financial departments, and we should be held responsible for the situation. We must conscientiously sum up our experiences and conscientiously solve those problems in our future work.

## II. The Draft Budget for 1985

In order to consolidate and develop the current excellent situation and ensure the steady development of the national economy and successful implementation of the reform of the economic structure, the arrangements for the 1985 budget were made by continuing to adhere to the principle of "carrying out reform, opening to the outside world, and invigorating the domestic economy." We should strive to create financial sources and increase revenues on the basis of developing production and increasing economic results. We should make overall arrangements for the various kinds of expenditures according to our capability while ensuring the need of reform in prices and wages and increasing investment in energy, transportation, and intellectual development in an appropriate manner. We should strictly control administrative expenditures and increases of consumption funds in order to achieve a fundamental balance in financial income and disbursement this year.

The state's new financial policy toward our province in 1985 is, in general, to continue to implement the system of holding Fujian responsible for its own finance, except for a few changes and readjustments in the scope and the listing of revenues and expenditures, which include mainly 1) revenues from the three categories are to be delivered to or shared with the central financial departments, and of these revenues, all profits from power networks and 70 percent of the product tax collected go to the state; 50 percent of the increased revenues from product tax, appreciation tax, and industrial and commercial consolidated tax levied by customs goes to the state; and 40 percent of increased revenues from cigarette product tax goes to the state; 2) the state delegates the power to collect construction tax, monetary tax, and local insurance business tax to the province; 3) urban maintenance and construction tax is to be levied to finance exclusively urban maintenance and construction, and the former industrial and commercial surtax, profit retention by enterprises for urban utilities, urban construction funds drawn by cities from industrial and commercial profits, and state-appropriated maintenance funds are all to be abolished;

4) profits retained, revenues, and expenditures of county-run industries are to be incorporated into the budget; and 5) since price controls over pork and other perishable goods are lifted, deficits from and subsidies to management do basically not exist, but additional subsidies are to be appropriated from the expenditures to urban residents.

According to the 1985 economic plan and the new financial system proposed by the provincial planning committee, the 1985 budget draft contains the following arrangements: Revenues come to 1,981 million yuan, in addition to state subsidy totaling 225 million yuan. Total revenues amount to 2,206 million yuan. Total expenditures amount to 2,256 million yuan, indicating a deficit of 50 million yuan.

The 1985 budget lists revenues of 1,981 million yuan, an increase of 221 million yuan, or 13.3 percent over last year's actual revenues after deductions due to changes in the financial system and due to price reform. The breakdown of the major revenues is as follows: Revenues from enterprises totaling 262 million yuan, from industry and business taxes totaling 1,515 million yuan, from construction taxes totaling 20 million yuan, from urban maintenance and construction taxes totaling 70 million yuan, salt taxes totaling 58 million yuan, agriculture taxes totaling 60 million yuan, special bamboo and wooden product taxes totaling 60 million yuan, and other revenues totaling 8 million yuan.

The 1985 budget lists expenditures totaling 2,256 million yuan. This is an actual increase of 228 million yuan, or 13.7 percent, over the 1984 provincial budget after deductions to changes in the financial system and reform of wages of personnel of administrative units. The breakdown of major expenditures is as follows:

1. Expenditures for capital construction amount to 326 million yuan, up 102 million yuan over last year's budget. Of this sum, 214 million yuan comes from the provincial budget, an increase of 54 million yuan. The major increase in expenditures is due to investments in energy resources, communications, and intellectual development. Communications construction funds total 37 million yuan, an increase of 8 million yuan. Funds totaling 75 million yuan will be raised mainly for the special economic zone in Xiamen and basic facilities in cities opening to the outside world. In addition, provincial financial departments will raise 46 million yuan to finance key construction projects by using last year's funds for key state energy resources and communications construction projects and the income retained from the sale of treasury bonds in excess of sales quota.
2. Funds for tapping enterprise potentials and renovating enterprises, amounting to 50 million yuan, remain the same as in the previous year. To support the renovation and technical transformation of old enterprise equipment, the provincial financial departments will not collect basic depreciation funds from enterprises this year. As a result, the funds to be actually spent on tapping enterprise potentials and renovating enterprises will greatly increase.

3. Expenditures for subsidizing the technical transformation of county-run "five small industries" and building expenses total 74 million yuan; of this, according to stipulations of the new financial system, 33 million yuan are earmarked as budget expenditures for profit retention by county-run "five small industries." This shows an increase of 10.7 percent over the previous year based on comparable factors.
4. Expenditures for science and technology under the three categories amounts to 22 million yuan, an increase of 2 million yuan over the previous year's budget, or an increase of 10 percent.
5. Expenditures to aid rural production total 221 million yuan, an increase of 14 million yuan, or 6.6 percent over the 1984 budget. The increase will be used mainly to expand agricultural scientific research facilities, import fine breeds, support the development of village and town enterprises, develop the feed industry, and transform the internal structure of agriculture.
6. Appropriations for urban maintenance and construction projects come to 70 million yuan, an increase of 30 million yuan over last year.
7. Operating expenses for culture, education, science and public health services total 631 million yuan, an increase of 10.8 percent, or 61 million yuan, over the 1984 figure. Of this, expenses for science increase 14.6 percent, and for education, 11.2 percent, mainly due to our plan to improve facilities of urban primary, middle, and vocational schools and institutes of higher learning. As for rural middle and primary schools, village governments should start to collect education surtax in accordance with the State Council regulations to increase investment in intellectual resources. It is necessary to reform the method of distributing operating expenses for science in line with the central decision on reforming the science and technology structure to promote the development of scientific undertakings.
8. Administrative expenses come to 231 million yuan, an increase of 10.9 percent, or 22 million yuan over the 1984 figure. The increase is mainly due to the inevitable addition of new employees as a result of job assignments for graduates of colleges and secondary vocational schools and also due to operational needs. The various departments at all levels must earnestly implement the State Council's circular on economizing on administrative expenses and conscientiously reduce expenditures.
9. Appropriations for aiding economically backward areas total 14 million yuan, an increase of 4 million yuan over the 1984 figure. The increase is mainly for state subsidies for road construction and repair in economically backward areas, transportation expenses and other incidentals incurred in drawing on reserves of grain, cotton, and cloth for constructing water conservation projects, and funds for supporting facilities.
10. Nonstaple foodstuff subsidies for urban residents total 156 million yuan.

Fellow deputies, in budgeting the revenues and expenditures for 1985, we made an ambitious estimate of revenues while expenditures were budgeted rather tight. We took into account the potential for developing production, raising economic efficiency, and increasing revenues as well as the needs of economic and price reforms, key construction projects, and intellectual investment, and budgeted the various expenditures in the order of importance and urgency. These budgetary expenditures are absolutely necessary. We believe that, through the concerted efforts of the various departments at all levels and the people throughout the province, this year's budget will be fulfilled and a basic balance of revenues and expenditures will be achieved in the execution of the budget.

III. Make a Special Effort To Do the Following Work To Basically Achieve a Balance of Revenues and Expenditures in the Execution of the 1985 Budget

1. Vigorously develop production, stimulate circulation, promote technical progress, and raise economic efficiency. This is the fundamental way to increase revenues. It is necessary to support the production of goods in short supply which can yield better economic returns to meet the demands of the market. Efforts should be made to expand the channels of circulation and promote exchanges between urban and rural areas in accordance with the new situation of further enlivened urban and rural economies so as to withdraw currency from circulation and increase income. While promoting production development and expanding circulation, enterprises should further raise economic efficiency, rectify their operating guidelines, give first priority to economic efficiency, and refrain from blindly pursuing faster growth rates at the expense of economic efficiency. Continued efforts should be made to improve the operation and management of enterprises, perfect the internal responsibility system, further reduce deficits and increase income, improve and increase product quality and variety, reduce consumption, costs, and the use of funds, and achieve a simultaneous growth in both production and revenues. The increase in expenditures this year caused by the lifting of restrictions prices of nonstaple foodstuffs and as a result of the wage reform should, in principle, be covered through tapping potentials, reducing costs, and raising economic efficiency. It is not allowed to shift the burdens to consumers, or to squeeze financial departments.

2. Strengthen collection and management work in taxation. As an important means to ensure revenues for the state, regulate the economy, and propel construction, the role of tax revenues is becoming increasingly important. Hence, it is essential to fully utilize taxation means and strengthen taxation work. Whether state tax revenues can be fulfilled or overfulfilled plays a decisive role in balancing revenues and expenditures. The governments at various levels must strengthen leadership over taxation work. All state-run enterprises, collective enterprises, and individual business households in urban and rural areas must pay taxes to tax departments in accordance with state tax laws. They must not evade taxes. Local authorities must not reduce or exempt taxes on their own, in violation of the tax system. The financial and tax departments at various levels must further strengthen collection and management work in tax revenues, overcome the onesidedly "benevolent"



point of view, and strictly enforce tax laws. They must collect all required taxes according to the tax rates stipulated by law. It is necessary to further strengthen and adjust the grassroots forces, perfect collection and management measures, strengthen weak links, seal loopholes for tax evasion, and fulfill or overfulfill the various taxation tasks for this year.

3. Continue to grasp reform of the financial and tax system. With profit deliveries replaced by tax collection among state-run enterprises, the distribution relationship between the state and enterprises has basically been stabilized. However, this does not mean that this reform has been completed because presently there are still a number of enterprises which have not replaced profit deliveries by tax collection, and in enterprises which have effected this change there still is work that must be carried out. Hence, it is necessary to continue to grasp this reform. This year the central government has continued to carry out the financial system of all-round contracts. To meet the new situation following the replacement of profit deliveries by tax collection, and to correctly handle the various financial relations, the provincial government has decided to reform the various prefectural and city financial management systems beginning in 1985, in accordance with the State Council guidelines on reforming the financial management system. The basic measures are: "Differentiate between revenues and expenditures, pay taxes according to quotas, increase revenues for proportional distribution, and parcel out contracts at various levels." It is hoped that the various prefectures and cities will quickly formulate their own financial management systems, in accordance with the guidelines set forth by the provincial government, so as to better mobilize the initiative of various quarters. It is necessary to further reform the financial supply system. With regard to funds for production, and operational expenses which can directly produce economic benefits, it is necessary to gradually change them from gratis to compensatory funds, and set up a circulating fund system.

4. Properly bring about a comprehensive balance of funds in the light of the new economic situation. Following further implementation of the policy of "opening to the outside world and enlivening the domestic economy," and further development in reform of the economic structure, new changes are taking place in the distribution and flow of funds in Fujian Province. How to utilize social financial resources by using unified plans is an important task confronting us. In arranging production, it is necessary to proceed from local conditions, take into account our financial capabilities, and make unified arrangements for budgetary and nonbudgetary funds, financial funds, bank credits, and domestic funds, as well as for foreign and Overseas Chinese funds. It is important to prevent overly diversified use of our financial resources for duplicate construction projects. The budgetary financial resources at various levels for this year must first meet the needs of wage and price reform before making unified arrangements for other operational expenses. It is prohibited to draw up deficit budgets or deficit budgets in disguised form.

5. Strictly control the growth of consumption funds, strengthen financial supervision and management, and resolutely check unhealthy tendencies. The departments at various levels must seriously implement the State Council's "Circular on Economizing Administrative Expenses." The budgets for



administrative expenses at various levels for this year must be reduced by 10 percent compared with the previous year. Enterprise management fees and other administrative expenses must also be reduced. Expenses in other areas must also be economized. The State Council instructed that social purchasing power of government organs, mass organizations, enterprises, and establishments must generally be cut 20 percent this year compared with the previous year. We must conscientiously carry out this instruction. Aside from the 17 commodities stipulated by the State Council, no procurement will be made in principle except to meet the needs of newly established units and production. It is necessary to resolutely carry out the documents of the CPC Central Committee and the State Council on checking new unhealthy tendencies, take effective measures to rectify unauthorized retention of state revenue, indiscriminate collection of extra fees, illicit distribution of state property, evasion of taxes, unauthorized raises in wages, indiscriminate price hikes, wanton issuance of bonuses and subsidies, and other acts which violate financial discipline. Strengthen financial supervision work at the provincial, prefectural, and city levels, and resolutely check new unhealthy tendencies in coordination with banks, auditing organs, commodity price bureaus, industrial and commercial administrative departments, and discipline inspection departments. The departments at various levels must proceed from the overall situation and further enhance the concept of giving consideration to the overall situation and plans, and must strengthen the sense of discipline and of hard work in order to enforce orders.

Fellow deputies, as a result of booming development in production and the efforts of various quarters, the execution of the budget in the first 3 months of this year was good, and financial revenue increased 16.8 percent over the same period in 1984. However, we must realize that wage and price reform this year has not been successfully reflected in financial revenues and that current financial revenues are still unstable. We must, therefore, not lower our guard. We must brace ourselves, make further efforts to grasp the various tasks, vigorously boost income, strictly control expenditures, successfully fulfill the 1985 budget, and strive to achieve a basic balance in financial revenues and expenditures.

CSO: 4006/773

PROVINCIAL AFFAIRS

SHANXI: BAI QINGCAI'S GOVERNMENT WORK REPORT

HK290723 Taiyuan Shanxi RIBAO in Chinese 16 May 85 pp 1, 2, 3

[Government Work Report by Vice Governor Bai Qingcai [4101 3237 2088] at the Third Session of the Sixth Shanxi Provincial People's Congress on 5 May 1985: "Handle Economic Reforms Well, Consolidate and Carry Forward the Excellent Situation"]

[Text] Deputies:

With Governor Wang Senhao away on a trip abroad, I have been asked by the provincial People's Government and Governor Wang Senhao to submit the government work report to the third session of the Sixth Provincial People's Congress for examination and approval.

On Work in 1984

In 1984, focusing on the general tasks and main goals put forth at the 12th National Party Congress, the people's governments at various levels of the province thoroughly carried out various general and specific policies of the CPC Central Committee and the State Council, the decisions and work arrangements of the provincial CPC Committee, and the resolutions of the second session of the Sixth Provincial People's Congress, energetically promoted tentative reforms on various fronts, and worked to create a new situation in the modernization effort. Big increases were achieved in industrial and agricultural production. Further progress was made in educational, scientific and technical undertakings. There was an obvious turn for the better in social peace and order. The people's daily life showed continuous improvement. Relatively satisfactory results were also achieved in other fields of endeavor. The whole situation marked this as the best year in the past few years.

In 1984, we energetically carried out in our economic work the guideline of reform, opening up, and invigoration. On the basis of stabilizing and perfecting the household contract responsibility system with payment linked with production, the rural reforms focused on efforts to develop a diversified economy, expand outlets for circulation and develop commodity production. With the pace of urban reform accelerated, state enterprises carried out the second phase of the switchover from profits to taxes, enabling the relations of distribution between enterprises and the state to be determined by laws and decrees and

strengthening the enterprises' ability to improve management and administration and achieve better economic results. The State Council's 10 rules on enlarged decisionmaking power for state enterprises and certain concrete measures formulated by our province were thoroughly carried out. In distribution, bonuses for workers were linked with taxes and profits handed over by enterprises. For small state industrial and commercial enterprises, the method of collective operation was followed. In enterprises, many versions of the contract responsibility system were introduced. The defect of "everybody eating from the same big pot" was overcome to a certain degree. In the construction industry, the State Council's "Tentative Regulations on Certain Problems in the Restructuring of the Construction Industry and the Capital Construction Control System" and the 10 measures [words indistinct]. The practice of contracting for work involving 100 yuan worth of output in wages and taking responsibility for investment was universally introduced. The system of bidding and contracting for projects was tentatively carried out and comprehensive development companies were established. The aim was to increase the vitality of the construction industry. In the area of circulation, the provincial People's Government formulated "Certain Rules on the Restructuring of the Urban Commercial System," enforced the separation of government and enterprise functions, abolished or integrated second-level wholesale stations, assigned more accounting units to work at lower levels, and energetically supported the development of collective and individual commercial undertakings. There initially formed a system of circulation marked by many economic components, many ways of operation, fewer links, and [word indistinct]. In April last year, our province called the first international economic and technical cooperation conference. In October, it again held a discussion meeting on domestic economic and technical cooperation. New breakthroughs were achieved in using foreign capital, importing technology, and promoting domestic economic and technical cooperation. In addition, some reform experiments and explorations were also carried out in other areas. Through the above reforms, hackneyed and stereotyped economic patterns and conservative ideas formed over a long period of time were initially broken to a certain degree. The enthusiasm of enterprises and the masses of workers was further aroused, and productive forces were emancipated. Meanwhile, some experiences were gained in the introduction of overall economic reform.

Under the impetus of the guideline of reform, opening up, and invigoration, a new situation marked by continuous, steady and harmonious development has appeared in our province's economy. In 1984, the province's total industrial and agricultural output value reached 25.78 billion yuan, an increase of 16.8 percent compared with 1983. National income reached 14.89 billion yuan, an increase of 19.4 percent compared with the preceding year. Revenue reached 2,717,510,000 yuan, an increase of 12.53 percent compared the preceding year. Total agricultural output value reached 5.97 billion yuan, an increase of 17.9 percent over the preceding year. Grain, cotton and edible oil production showed increases of 8.2 percent, 38.4 percent and 54.7 percent respectively. The commodity rate for agricultural products showed a big increase. Marked results were achieved in growing trees and creating forests. The forest cover rate throughout the province reached 13.8 percent, with 33 counties turning their plains green. Town and township enterprises showed rapid development. Total output value reached 5.556 billion yuan or 21.55 percent of total provincial industrial and agricultural output value. The number of workers employed

reached 1.52 million or 20 percent of total rural workers. Initial results were achieved in opening up mountainous areas and in relevant construction efforts. The area of poverty-ridden land has narrowed from year to year. In Zuoyun County, per capita income reached more than 800 yuan. A number of mountainous counties like Youyu, Shenchì, Pianguan, Pinglu, and so on got rid of poverty and had enough food and clothing and to spare. Industrial production showed relatively quick development. Total output value reached 19.81 billion yuan (including that of village-run enterprises), an increase of 16.5 percent over the preceding year. The superior features of heavy industry were brought into further play. Coal, electric power, metallurgy, chemicals, construction, and other industries maintained a relatively high rate of growth. Marked results were achieved in production and scientific research where national defense industries were concerned. There was a relatively big increase in the output of products for civil use. Light industrial output value registered an increase of 14.5 percent over the preceding year. The quality of industrial products showed new improvement. Economic results continued to improve. Average labor productivity of the overall work force 10,000 yuan. New progress marked the building of energy and heavy industrial and chemical bases. Of total provincial investment in capital construction, the Equivalent of 3.696 billion yuan in projects was completed, an increase of 60.2 percent over the preceding year. The scale of construction, the rate of growth, and the percentage of construction projects put into commission were the highest in past few years. For the 15 priority projects built in our province with state investments, the progress plans were fulfilled or overfulfilled. The priority construction projects included in the province's plans were also fulfilled in a relatively satisfactory manner. The first stage of the project for the feeder railroad from Shenchì to Hequ was completed. For four highways stretching outside of the province, the projects for roadbeds, bridges and culverts involving a total length of 165 kilometers were completed according to plan. What was especially gratifying to note was that total industrial and agricultural output value, national income, revenue, the total retail sales of social commodities and the output targets for important industrial and agricultural products, such as grain, cotton, oil-bearing seeds, coal, pig iron, chemical fertilizers, cement, machine tools, and so forth, called for in our province's "Sixth 5-Year Plan," were achieved 1 year ahead of schedule.

In 1984, our province made further progress in the educational, scientific and technical fields. There was a relatively big increase in state appropriations for educational undertakings and investment in capital construction projects for education. Mass enthusiasm for raising funds to run schools ran very high. This allowed a relatively great improvement in conditions for the operation of rural middle and primary schools. The number of counties that have introduced universal primary school education rose from 11 in the preceding year to 25. There was a continuous increase in the percentage of secondary vocational and technical schools. To accelerate the development of institutes of higher education, our province last year approved the further establishment of a number of institutes of higher education, such as the Shanxi Economic Management College, the Petrochemical College of the Taiyuan Industrial University, the Shanxi College of Traditional Chinese Medicine, the Yanbei Normal College, the Taiyuan University, the Datong University, the Luliang Normal College, the Linfen Normal College, and so on. The number of students admitted by institutes

of higher education reached 11,677, an increase of 20.2 percent over the preceding year. The number of workers' colleges and workers' secondary vocational schools rose to 190, with a total enrollment of 36,000. Progress marked scientific and technical work in such fields as serving production and society, developing scientific-educational-production complexes, experimenting with the contract system involving compensation and the system of responsibility for given subjects of study, and so forth. Last year, the whole province judged 454 scientific and technical items as prize-winners, some of them with results never achieved in the country before and reaching or approaching other countries' advanced levels. New achievements were also scored in cultural, public health, journalism, publishing, broadcasting, television, family planning and other fields. In the 23rd Olympic Games and other international tournaments, 6 of our province's sportsmen were among the first 3. Our province's sportsmen also won 76 medals in important domestic contests. In regard to family planning, central policies were seriously carried out. Continuous results were achieved. The province's rate of natural population growth was 10.51 per 1,000, a drop of 0.19. In May last year, our province called an intellectual work conference and worked out the "Decision on Further Strengthening Work Concerning Intellectuals." This stimulated the implementation of the policy toward intellectuals. A social trend toward respect for knowledge and for talent is forming. The masses of intellectuals are playing an ever more important role on various fronts.

We continued the struggle to crack down hard on criminal activities and serious economic criminal activities and energetically introduced comprehensive treatment. There was an obvious turn for the better in social peace and order. The number of criminal cases throughout the province showed a drop of 36.9 percent compared with 1983. That of major and extraordinarily serious criminal cases dropped 28.8 percent. Social order was gradually returning to normal. The people's sense of security was universally strengthened. Judiciary work played a positive role in providing legal services for economic construction. Government administration and commune management were separated. Throughout the province, there were originally 1,883 people's communes and 45 organic towns. After the separation of government administration and commune management, there were established 1,920 town and township people's governments. Of them, 498 were town people's governments. The business of establishing villagers' committees was also basically completed. The defect of no separation between government and enterprise functions that had formed in the past, given the integration of government administration and commune management, began to change. Enthusiasm on the part of both township governments and economic organizations has been aroused, stimulating the development of productivity. In supporting local economic construction, maintaining social peace and order, and building civilized units through the joint efforts of military men and civilians, and so on, the Shanxi Provincial Military District, units stationed in Shanxi and armed police units made major contributions.

On the basis of the development of production, the people's daily life was further improved. Peasants' per capita income reached 350 yuan, an increase of 27.1 percent over the preceding year. Workers' average annual pay reached 1,024 yuan, an increase of 23.8 percent over the preceding year, or an increase of 20.2 after adjustment for the rise in the cost of living. Per capita income

for living expenses for workers' family members reached 487.2 yuan, an increase of 23.7 percent over the preceding year, or an increase of 20.1 percent after adjustment for the rise in the cost of living. Total retail sales of social commodities of the whole province rose 21.9 percent over the preceding year. Food, clothing and consumer goods for the masses of people changed in the direction of higher grades and diversification. According to 10 cities' statistics, per capita family living space for residents reached 4.63 square meters, an increase of 5.47 percent over the preceding year. One hundred and ten thousand residents in the countryside of the province also built new houses. The number of residents of Taiyuan City consuming gas reached 50,000 households. The cities and towns throughout the province found employment for more than 124,000 unemployed people. Town and township savings deposits reached 4.05 billion yuan, an increase of 40.7 percent over the preceding year. The business of helping the poor in the countryside showed marked results. More than 175,000 peasant households got rid of poverty.

Deputies: From what I reported above, it can be seen that the current situation in our province is very favorable. This is a result of upholding the guidelines of reform, opening up, and invigoration, striving for progress, and hard work by the people throughout the province on the basis of the past few years of economic readjustment under the leadership of the party. In reviewing and summing up the past year of work, we must also take note of certain new circumstances and new problems that have appeared in our province's economic life in the very favorable situation. The main point worth noting is that in the fourth quarter of last year, and especially in December, the rate of consumption fund expansion exceeded the rate of growth of social total output value and national income. The size of loans granted was too large. Money put into circulation was a bit excessive. Administrative expenses rose too much. There was especially too sharp an increase in social collective purchasing power. The amount of money put into circulation in the market exceeded what was required for commodities in circulation. With certain enterprises randomly raising prices, the prices of certain commodities climbed. In addition, some party and government organs got involved in the operation of enterprises. Some of them followed irregular ways of operation, capitalizing on their power to resell commodities in extremely short supply, driving up prices, and unsettling the market. Some of these problems were caused by lack of experience in reform and lack of a clear understanding about policy boundaries on certain issues. They are in the nature of mistakes made in work. Some had to do with the lack of a correct understanding about the economic reform system, as departmentalism and sectional interests prompted the practice of randomly raising wages and handing out bonuses. Still others were attributable to people taking advantage of reform to line their own pockets at the expense of the public, to serve private ends, and to get involved with new unhealthy practices. A review of the provincial People's Government work shows that the main cause was inadequate attention to our province's macroeconomic research and control. Given the development of commodity production, the enlarged circulation of commodities, and the need to put more money into circulation, we failed to strictly control loan money and consumption funds and to quickly discover and solve problems. This is an important lesson. In the first half of February this year, after the CPC Central Committee pointed out at a conference of provincial governors the existing new circumstances and new problems we immediately [words indistinct]. Since the Chinese Spring



Festival, we have basically stopped such unhealthy practices as freely handing out bonuses. The situation regarding the withdrawal of money from circulation has gradually improved. This belongs to the category of problems encountered amidst progress. We must be good at summing up experiences and drawing lessons therefrom, so that future reforms can proceed more steadily and effectively.

#### On the 1985 Tasks

Deputies: In 1985, our main tasks are: We must firmly and unswervingly carry out economic reforms centering on the cities. At the same time, we must penetratingly effect reforms in the rural economic management system and the educational, scientific and technical system, stimulate the development of productivity and advances in various fields of endeavor, promote the building of energy, heavy industrial and chemical bases, and consolidate and carry forward the excellent situation throughout the province.

In the government work report at the third session of the Sixth NPC that has just closed, Premier Zhao Ziyang pointed out that the guideline of action for the economic reform should be: Be firm and unswerving in our stand, take a cautious approach to the initial battle, and be sure of victory. In regard to the goal and direction of reform, we must be firm and unswerving and proceed with prudence. As far as this year's reforms are concerned, we must exercise prudence in fighting the first battle. We must not sit idly by, letting good opportunities go. We must also keep an eye on every step we take, probing our way in practice and avoiding big mistakes. We must firmly carry out this guideline of action properly.

In our economic work in 1985, we must continue to uphold the guideline of seeking truth from facts and making steady progress. This year, our province's national economic plan (draft) calls for an increase of 9.1 percent in total industrial and agricultural output value over the preceeding year, with total industrial output value to be 10.9 percent higher. This rate of growth is not low. In the process of organizing the implementation of national economic plans, we must guard against and set straight the phenomenon of deviating from reality, paying no attention to economic results and one-sidedly pursuing an increased rate of growth, and shift the focus of work to increased social economic results. Given this as a prerequisite, we must strive to maintain a matter-of-fact pace of continuous, steady and harmonious development.

In line with the above tasks and guiding ideas, we must this year put emphasis on the proper handling of the following tasks:

1. Take a Positive and Prudent Attitude Toward the Proper Handling of the Economic Reform Focusing on the Cities

After the 3d Plenary Session of the 12th CPC Central Committee, the provincial CPC Committee and the provincial People's Government formulated on the basis of investigation and research "Shanxi Province's Economic Reform Implementation Program Focusing on the Strengthening of Enterprise Vitality." This "implementation Program" takes the strengthening of enterprise vitality and especially the vitality of large and medium-sized enterprises owned by all the people as



a central link in the whole economic reform program for our province. It embodies the spirit of the 3d session of the 12th CPC Central Committee and agrees with the realities of our province. It is something positive and practicable. The immediate problem is to carry it out on a solid basis.

The key to the enforcement of the "Implementation Program" on a solid basis lies in the delegation in full of such power to enterprises as is clearly defined by the state and the province. As far as current conditions are concerned, enterprises have, in many fields, still not achieved real decisionmaking power. Their vitality has not yet been brought into proper play. We must fully realize the urgency of the economic reform, continuously get rid of "leftist" influences, shatter the bonds of traditional concepts and the force of habits, and raise consciousness to simplify administration and delegate power. One-third of this year is gone. We must keep a tight grip on things and seek firm implementation of the program, letting no time be lost. In regard to financial matters, tax collection, commodity prices, wages, credit and other matters involving macro-economic control, organs in charge at higher levels must formulate certain concrete implementation rules and guard against various parties going their own way. But in other economic activities, we must not wait for a solution from the higher authorities for every matter. We must advocate bold exploration and creatively carry out the reform program. All that has been defined in central decisions and our province's implementation program must be resolutely carried out. Economic departments in charge at all levels must actively take the initiative to implement what has been laid down. They are not allowed to let stereotyped rules and regulations that have gone out of date bind the hands of enterprises.

The CPC Central Committee's call for correcting new unhealthy practices is aimed at insuring the healthy development of the reform. All unhealthy practices must be resolutely corrected. At present, some comrades lack a clear idea about the relations between reform and the rectification of unhealthy practices. It is erroneously held that the earlier stage was "relaxation" and the present stage is "tightening." They are afraid of "fluctuation" and of making mistakes. They therefore show hesitation and have cold feet where reform matters are concerned. We must have a correct idea about this point. Unhealthy practices are prompted by a desire to serve the interests of individuals or small groups. Getting involved with unorthodox practices, impairing state interests to line a person's pockets, serving private ends at the expense of consumers--these are traceable to individualism or departmentalism, as far as the causes of such thinking are concerned. Their features are willful commitment of acts known to be wrong, practice of deception, and taking advantage of loopholes in the reform program. The argument that reform has brought unhealthy practices can never be accepted. Reform is a new task. It involves very complicated things. Due to lack of experience, certain mistakes cannot be avoided. Some new problems and new contradictions also inevitably ensure. New problems and new contradictions surfacing in reform must be seriously solved. But they cannot be equated with unhealthy practices. Still less can our determination be shaken because of the appearance of unhealthy practices. We must pay attention to protecting the enthusiasm of cadres and the masses for reform. Our approach to mistakes in reform work mainly calls for summing up experiences and learning lessons. Unhealthy practices must be resolutely stopped.

With their decisionmaking power enlarged, enterprises must use their power properly. They must take the whole situation into consideration, act in accordance with state laws, decrees and policies, and correctly handle the relations among the state, enterprises and individuals. They must direct efforts toward improving management and administration, perfecting the economic responsibility system in enterprises, doing a good job of technical transformation, tapping enterprise potential to the full, lowering the consumption of energy and raw and other materials, reducing the costs of products, bettering the quality of products, and improving economic results, in order to contribute more to the state. We must not pin hopes for increased enterprise income on state tax reductions or concessions in matters of profit. We must rationally define the ratio between accumulation and consumption. The enterprises' own funds should be mainly devoted to developing production. Production funds must not be converted into consumption funds. Still less can production funds be all handed out and used up.

The reform of the price structure is an important factor determining the success or failure of the whole economic reform. Doing a good job of reforming the price structure is an important task in this year's economic reform. It is common knowledge that our existing price system is marked by a phenomenon of great chaos due to a long period of neglect of the role of the law of value, and other historical factors. The prices of many commodities failed to reflect their value. Nor did they reflect the relations between supply and demand. The price ratios between different commodities were irrational. The prices of certain mineral products and raw materials, in particular, were on the low side. There were no differences in prices between commodities in the same category. The purchase and selling prices of main agricultural and sideline products were out of proportion. Charges for tertiary industry were on the low side. Without reforming this irrational price structure, we cannot correctly assess the production and operating results of enterprises. Nor can we insure the smooth interflow of urban and rural commodities. Nor can we stimulate technical progress and the effort to put the production pattern and the consumption pattern on a rational basis. This will naturally cause a tremendous waste of social labor and also seriously interfere with the implementation of the principle of distribution according to work. This is to say that it is imperative that the reform of the price structure is carried out. Such a reform aims at not pursuing profit but at smoothing out economic relations in various fields, so that the development of the national economy can follow a benign cycle. We must always uphold the guideline of basic stability of commodity prices. For a long period of time, people got used to a given price. Now they feel unaccustomed to it, with the gradual narrowing of the scope for the fluctuation of floating prices and market prices. In fact, it is against the law of value for prices to remain always unchanged. Putting supplies on a limited basis is a measure taken in a situation of underdeveloped commodity economy and scarcity of commodities. Now commodities have become increasingly abundant in supply. It will not do to follow the old practice. The rational readjustment and the proper decontrol of prices help not only economic development but also the improvement of the people's daily life. This is in line with the fundamental interests of the masses of consumers. Of course, the reform of the price structure bears on the national economy as a whole and concerns myriads of households. We must take a very prudent attitude and

seriously carry out the guideline of "combining decontrol with readjustment and allowing only slow price movement" and the principle of "rise and fall" put forth by the CPC Central Committee and the State Council. We must act in line with unified state arrangements. The reform of the price structure, to start in our province this year, mainly calls for: decontrolling the prices of pork and vegetables; readjusting purchase and selling prices for rural grain and edible oil; readjusting the price ratios between different kinds of grades of coal and charcoal; and suitably raising short-distance railroad transportation rates. With these reforms carried out, the urban retail commodity price index will go up a bit. But since the reform of the price structure is accompanied by the reform of the wage system and the grant of price subsidies for certain non-staple foodstuffs, the workers' actual standard of living will not drop but rise, to a certain degree. To guard against the practice of randomly raising prices and uphold consumers' interests, the government will further strengthen the control and inspection of market commodity prices. State commerce is taking measures, in connection with the control of sources of supply, the holding down of prices, and so on, to guide commodity market prices. Any unit or individual running counter to the pricing policy, marking up prices without authorization, raising prices in a subtle way, driving up prices and freely imposing charges, and all such practices as wilfully circulating false reports about price hikes, unsettling the market, and so on must be sternly dealt with. Those who run afoul of the law must be punished according to law. Judging from conditions since the decontrol of the prices of pork and vegetables on 1 April, despite a rise in market prices, the situation, on the whole has been marked by an abundant supply of goods, market stability, and favorable public reaction. The situation has been better than expected. We must continue to give guidance with conscientious care, do good work and strive to maintain the basic stability of the level of commodity prices as a whole.

The reform of the wage system this year focuses on gradually eliminating the defect of egalitarianism in the existing wage system and gradually establishing a new wage system capable of better embodying the principle of distribution according to work. Due to the state's limited financial resources, it is impossible to solve all irrational problems overnight. At present, we must act according to unified state arrangements and actively make needed preparations for the reform of the wage system.

## 2. Thoroughly Carry Out Central Document No 1, Penetratingly Introduce the Rural Economic Management System and Stimulate Efforts to Put the Rural Production Structure on a Rational Basis

On the basis of the "big rice pot" in the collective economy being smashed and the contract responsibility system with payment linked to production being universally introduced, the rural economy of our province is entering a new stage of reforming the rural economic management system, readjusting the rural production structure, and developing the rural commodity economy.

Central Document No 1 of this year called for abolishing the system of the planned purchase and marketing of agricultural products practiced for many years and turning it into one of contracting for purchases and letting the market take care of purchases. This is a tremendous and profound reform.

In line with this reform, our control over agricultural production must shift from previous main reliance upon mandatory plans and administrative means to main reliance upon economic means to effect regulation. In signing purchase contracts, we must act according to the principle of voluntary participation. We must give the peasants guidance by providing market information and various other services and guard against the practice of imposing purchase quotas. As far as this switchover is concerned, many cadres involved in rural work have still not adjusted to it. They must study well and master the art of organizing and directing commodity production.

To readjust the rural industrial structure and change the practice of sole preoccupation with grain production, so that the rural economy can develop in a harmonious manner--this is our wish of many years. Now with the shortage of grain and cotton relieved, we have a very good opportunity to realize the readjustment of the production structure. In doing such work, we must pay attention to looking at the entire rural economy as a whole, insist on gearing measures to local features, give full play to local superior features, act according to the laws of nature and the laws governing the economy, protect and bring about ecological balance, and gradually put the rural economy on the road to a benign cycle. As far as the whole province is concerned, in readjusting the rural production structure, we must put emphasis on the following several respects: 1) We must develop animal husbandry. For many years, our province's animal husbandry developed slowly, total output value from animal husbandry accounting for around 10 percent of total agricultural output value. There were quite obvious contradictions between production and needs where meat, milk, eggs, poultry, and other livestock products were concerned. From now on, we must uphold the guideline of vigorous development of animal husbandry and gradually and fundamentally change people's diet. In developing animal husbandry, we must uphold emphasis on family stockbreeding. With local features in mind, we must establish and perfect the contract responsibility system with payment linked to production. We must relax the policy on the development of resources, assign titles to grasslands to family animal farm-owners and stockbreeding households on a permanent and fixed basis, and allow reassignment to successors and transfer. Developing the fodder industry is the key to the development of animal husbandry. It calls for joint efforts on the part of the state, the collective and the individual and for drawing on local resources, resorting to processing locally and providing supplies on the spot. The provincial People's Government has planned to sell 500 million jin of grain to rural stockbreeding households, state and collective livestock farms and fodder-processing factories at original state purchase prices and to see some grain as fodder to distressed areas on credit terms. Meanwhile, we must pay proper attention to such work as improving the strains of animals and fowl, relevant vaccination and plague prevention, the circulation of livestock products, and so forth. We must also actively try to solve the problem of funds for developing animal husbandry and seek by various means to bring about vigorous development of animal husbandry.

We must develop forestry. We must in a planned and systematic manner let farming give way to forests and animal husbandry, where slopes are more than 25 degrees steep. In light of the features of mountain systems and river basins, we must energetically develop collective forestry centers and family tree farms. We can commit deserted hills and slopes fit for tree planting to peasant

households with the capacity to take charge on a contract basis, with the arrangement fixed to last permanently and with the right to succession allowed. A collectively or individually operated tree farm must resolutely uphold the principle that trees belong to anyone who plants them. A state farm can get involved with local peasants in joint operations or commit workers' family members to operations on a contract basis. We must strive this year to complete providing the farmland in the plains with a network of trees and turning the four sides of given plots of land green with trees. We must also try to complete in an overall manner the first stage of the Xishan Mountain shelter-belt and make proper initial preparations for afforesting the Taihang Mountains.

3) We must develop the processing of agricultural products to stimulate grain conversion. We must give full play to our province's features with its plentiful supplies of Kaoliang or Chinese Sorghum, corn, mountain medicinal herbs, and eggs and subject them to various processes of refining to meet market needs.

4) We must give full play to our province's superior features with its rich underground resources. We must develop mining and the construction industry and also appropriately develop communications and transportation.

5) The suburban areas and industrial and mining areas must energetically develop the production of vegetables, melons, fruit and flowers to meet the ever-growing daily needs of urban and rural residents. In the readjustment of the production structure, we must continue to carry out the guideline of never relaxing the grip on grain production while energetically developing a diversified economy. With the readjustment of the structure of the breeding trade, the area planted with grain will be reduced, to a certain degree. But we can in no way neglect grain production. Faced with the temporary phenomenon of "selling grain with difficulty" we must keep a cool head. We must note that the grain supply situation in our province is only a case of a low-level relative surplus, which has appeared with the breeding trade and the grain processing industry not properly developed. From a long-term point of view, the existing supply of grain is not abundant but inadequate. We must look further ahead where the problem of grain is concerned. We must guarantee a steady increase in grain production.

Our province still has some poverty-ridden mountainous areas. These areas are mostly old revolutionary bases. Helping them change their features as quickly as possible carries great economic and political significance. In the past few years, the provincial CPC Committee and the provincial government have taken energetic measures to help in the buildup of poverty-ridden mountainous areas, with marked results achieved. The scope of poverty has gradually narrowed. But future tasks ahead are still very heavy. Last year, after the CPC Central Committee and the State Council issued the "Notification on Helping Poverty-Ridden Areas Change their Features as Quickly as Possible," the provincial CPC Committee and the provincial People's Government, after investigation and study, settled on 31 poverty-ridden counties and defined the "Implementation Program on Helping Poverty-Ridden Areas Change their Features." Various areas must seriously carry out this program. To change the features of these areas, the basic way is to rely upon the local people's own strength to activate the vitality in the local economy and energetically develop commodity production. The people's governments at all levels must apply to poverty-ridden mountainous areas policies more flexible than those practiced in ordinary areas, and thoroughly do away with the defect of overconcentration and too rigid control. They must show necessary consideration in matters of finance,

taxation, credit, and so forth and help lighten the burden on the peasants of poverty-ridden mountainous areas in an effort to bring about a relatively big change in the features of poverty-ridden mountainous areas in a relatively short period of time.

### 3. Bear Local Features in Mind and Develop the Strong Points and Avoid Weak Ones in Energetically Developing Town and Township Enterprises

Developing town and township enterprises is an important aspect of the effort to readjust the rural production structure and an important way to organize rural labor and increase peasants' income. It holds great attraction, with rural, financial, material and human resources brought into play in stimulating the development of the whole rural economy. In February this year, the provincial CPC Committee and the provincial People's Government worked out the "Decision on Accelerating the Development of Town and Township Enterprises." The people's governments at all levels must carry it out properly. In developing town and township enterprises, we must insist on proceeding from reality, bearing local features in mind and developing the strong points and avoiding the weak ones in giving full play to local superior features. We must be mindful of economic results and avoid blindly pursuing a high rate and an ambitious goal. We must learn from the experiences of Jiangsu Province and uphold the guideline of "letting five wheels turn at the same time," with operations involving townships (towns), villages, joint operators, household operators, and other forms of cooperation. We must put the emphasis on household operators and joint operators and get involved with more small-sized enterprises capable of yielding quick and good returns. We must also, in a planned manner, set up some backbone enterprises with prospects for development and with a strong foundation. We must strive to establish economic links over a wider area, attract capital, technology and talent from other counties and provinces, and make quicker progress in the technical field. For sources of capital, we must chiefly rely upon our own resources and raise funds by various means. Banks at various levels must render support for production to meet urgent social needs but must not place entire reliance upon state loans. At present, for the existing town and township enterprises, the problem of no separation of government and enterprise functions has not been solved. Through experiments, various areas should seek the separation of government and enterprise functions, turn "government operations" into operations really owned by peasants collectively, and try to solve the problem of distribution of town and township enterprises' earnings in a rational manner. Enterprises on their part must properly handle the relations between accumulation and consumption, keep a given percentage of funds for production development and refrain from distributing and using up everything. To support the development of town and township enterprises, the people's governments at various levels must, according to the state laws, allow certain tax reductions or exemptions within given limits. The management fees collected from enterprises by the departments in charge of town and township enterprises will be reduced from 1.5 percent to 1 percent, beginning this year. Other departments cannot impose any further charges or assignments upon town and township enterprises and, still less, transfer the funds and assets of town and township enterprises in an indiscriminate manner. With the development of town and township enterprises, we must properly handle plans for town and township development and do a good job of building amenities.



On a work inspection trip to the Yanbei Prefecture of our province in the second part of January this year, Premier Zhao Ziyang pointed out that town and township coal mines represent an unusually dynamic industry and can become, in relevant areas, a main way of developing our energy and coal industries. This industry is the main pillar of the rural economy in areas of this kind and is a main way to make the peasants rich. This directive from Premier Zhao Ziyang has further made clear the guideline and course for the building of our province's energy industry and carries great realistic and long-term significance. Experience shows that the development of town and township coalmines involves a small investment but yields quick returns and allows the use of relatively little money to provide more coal and charcoal for the state. The development of town and township mines not only allows a relatively quick increase in income for peasants but also stimulates the development of transportation and tertiary industry and the readjustment of the rural production structure and enlivens the rural economy. Therefore, the energetic development of town and township coalmines should become an important guideline for economic construction in our province. In future, our province's development of coal production should focus on town and township mines. In the period of the "Seventh 5-Year Plan," local state coalmines must concentrate on technical transformation. Apart from those coal pits already in operation, generally speaking no new pit should be set up. We must make overall plans and rational readjustments for coal resources. While insuring the mining needs of state coalmines, we must appropriate necessary resources for town and township coalmines. We must pay attention to the technical transformation of town and township coalmines, improve the equipment for pits, increase their resistance to natural disasters, and strive to properly insure production safety. We must energetically train management personnel and technical personnel required by town and township coalmines. We must encourage town and township coalmines to follow the road to joint operation and transformation and increase production capacity, so that they can have reserve strength and make still greater contributions to modernization.

#### 4. Strengthen the Development of Communications and Continue Efforts to Relieve the Strain on Transportation

The shortage of communications and transportation is a main factor restraining our province's economic development. Making continuous efforts to solve the communications problem is an urgent task for our province in the several years ahead.

The state is stepping up the technical transformation of existing trunk railroads and the building of the Datong-Qinhuangdao line and other new trunk railroads. Our province must appropriately quicken the building of local feeder railroads and highways. Concerning the five feeder lines included in repair and construction plans, we must complete this year the second stage of the project for the line running from Shenchì to Hequ and the preliminary preparations for the line running from Kaoyi to Liulin and also make intensified proper preparations for the building of the Wuxiang-Modeng, Yangquan-Shenian, and Qinxian-Qinyuan feeder railroads. Meanwhile, we must simultaneously set up coal and charcoal collective transportation stations to form part of the whole. Before 1987, we must complete construction work on 10 highways

stretching outside the province. Four of them, running from Jincheng to Dakou, from Jincheng to Zhanglukou, from Bejiazao of Datong to Sunqizhuang, and from Baimaoling of Yangquan to Didu, must be opened to traffic before the National Day this year. This year we must also newly build four highways--Heshun-Xingtai, Zuoquan-Shexian, Yangcheng-Jiyuan, and Datong-Beijiazao. After the completion of the above construction projects, the transportation capacity for trunk railroads will double. There will gradually form a transportation network of railroads, highways, and collective transportation stations coordinated as part of the whole--a network mainly based on trunk railroads, with cities and industrial and mining areas as its center. Thus not only can the current strain on the transportation of coal, charcoal and other materials be relieved but favorable conditions can be created for economic invigoration in the 1990's. Apart from the priority highway construction projects arranged by the province, various prefectures, cities and counties must adopt the method of "organizing civilian workers for public projects and starting civilian projects with public help," or the method of accumulation of labor, to mobilize and organize the masses to repair roads. In economically relatively developed areas, the local governments can raise money to repair roads and uphold the practice of having yields accruing to the party undertaking road repairs. In mountainous areas and poverty-ridden areas, the method of "replacing government financial support with contributions of labor" or raising funds locally and committing the masses to road repairing with state support can be adopted to accelerate the development of communications. For highways in mining areas, the practice of self-construction and self-maintenance must be upheld. In quickening the construction of highways, we must at the same time strengthen road management and strengthen the maintenance, expansion and transformation of existing road surfaces. We must also strengthen traffic control and reduce traffic accidents.

##### 5. Strengthen Macroeconomic Control and Regulation and Achieve a Balance in Revenue, Credit Funds, and Commodities

Macroeconomics must be controlled. Microeconomics must be enlivened. These are two aspects of the economic reform that must be given equal attention. If there is a loss of control over macroeconomics, setbacks are likely to be encountered in the development of the national economy, causing a detour in reform. At present, the point of emphasis in strengthening macroeconomic control is to control the general scale of capital construction and the growth of consumption funds. We must comprehensively use taxation, credit, pricing and other economic levers to quickly regulate economic activities and achieve a balance in the state budget, in bank credit funds, and in commodity supplies, and an overall balance between them. This is to insure smooth progress in the development of the national economy and the reform of the economic system.

In achieving a financial balance, we must strive to increase income and reduce expenses. In strengthening control over taxation, we must collect all taxes that should be collected. According to state stipulations, after the reform of state enterprise wages, a progressive wage regulating tax must be levied on an increase in the total amount of wages for the current year over the preceding year which exceeds the limits set by the state. On enterprises that still follow the previous practice of paying wages and handing out bonuses, an excess bonus tax must be imposed. We must continue to uphold the guideline of

fighting amidst hardships and building up the country industriously and thriftily, guard against wasteful practices, and practice strict economy. Based on this year's budget, all administrative outlays must be cut by 10 percent. Based on last year's actual figures, social collective purchasing power must be reduced by 20 percent. Reductions in enterprise management expenses and administrative outlays for institutions must also be effected in line with this demand.

People's governments at various levels must strengthen leadership and supervision over banking and support banks in granting loans according to the state policy. They must strive to keep the volume of loans within the limits of state plans. In making loans, we must distinguish between urgent and less urgent needs, insure the satisfaction of priority needs, and take care of general needs. We must energetically strive to reduce loan funds locked up in accumulated stocks of commodities and products. With the switchover from fund appropriations to loans in capital construction, we must strictly control the volume of loans on the basis of the general scale of capital construction. For capital construction involving funds not included in the budget, we must submit relevant documents to the Planning Committee for record, while the banks must pay attention to exercising proper control. Government organs and leadership cadres at all levels cannot ask banks to issue loans in violation of state rules or loans for projects with relatively poor economic results. In such cases, the banks should refuse to go along. Finance units at all levels must also not lower the loan requirements in a bid for the issuance of loans.

This year, there is a relatively big gap between our province's purchasing power and the supplies of commodities available. Certain means of production and raw and other materials are also in relatively short supply. To insure the needs for market supplies and capital construction, commercial undertakings and supplies departments must create more sources of goods through various channels, use economic means to organize the production of urgently needed commodities, actively enter into cooperation with other areas, and energetically tap the potential of accumulated stockpiles to narrow the gap between supply and demand. Wholesale business involving important of production materials and durables in extremely short supply must be strictly entrusted to the care of state commerce, supply and marketing cooperatives, materials supply and marketing departments, and units producing such products. Collective and individual commercial undertakings are not allowed to handle these commodities wholesale. State commercial departments must actively take part in regulating the market and holding commodity prices down.

#### 6. Better Implement the Guideline of Opening Up to the Outside World and Promote Economic and Technical Cooperation with Other Countries

In economic trade with foreign countries, we must exercise unified leadership, place relevant parties in charge, and insist on properly matching imports with exports. First, we must properly handle exports, boost foreign exchange income, insure foreign exchange payments involved in cooperation with foreign countries, and achieve a balance in foreign exchange. To this end, we must base ourselves on the natural resources of our province as its superior

features and energetically develop self-handled export products with the features of Shanxi. While continuously taking proper care of traditional export commodities and "brand-name" commodities, we must energetically develop new kinds of export commodities. We must strive to better the quality of products and lower their costs, improve styles and packing, and increase the capacity to earn foreign exchange. Meanwhile, we must strengthen investigation and study of the international market, establish facilities for passing on information, gear our province's export products to international market changes, and increase competitiveness. This year, for foreign exchange earnings from exports included in the plans, our province has introduced a foreign exchange-sharing plan for the production enterprise, the prefecture (city) and the export-handling unit according to a "4-4-2" ratio. This is to encourage the areas and enterprises concerned to strive to fulfill and overfulfill foreign trade export assignments. Imports must be properly adjusted and reduced. Only things urgently needed for our province's production and construction efforts should be imported. We must guard against being oriented toward foreign countries in many fields and blindly making purchases. On imports financed with their own foreign exchange, the areas and departments concerned must exercise strict control according to the plan for the use of foreign exchange for imports handed down to the province by the state, so that the limited foreign exchange can produce a better effect.

We must continue to actively promote economic and technical cooperation with foreign countries. Through operation on a joint-venture basis, operation on a cooperative basis, hiring, compensation trade, and other forms, we must in a planned manner bring in foreign capital, technology, and equipment and also management expertise and talent. This is to stimulate our province's technical progress and the development of its economic construction efforts. In entering into cooperation with foreign countries, we must put ourselves in the position of others and view things from their standpoint. We must strengthen the role of plans. With an eye to our province's superior features and weak links, we must submit the priority projects to be imported for the current year and the period of the "Seventh 5-Year Plan." For projects negotiated with foreign countries, we must seriously make proper preliminary preparations and do a good job of studying possibilities and forecasting relevant economic results. We must make a point of importing those projects that are really advanced technically, suit the development of our province's industry and agriculture, are needed for technical transformation, and are capable of increasing economic strength and generating foreign exchange. In August this year, our province will hold the second international economic and technical cooperation conference. Through this conference, we will strive to conclude a number of important transactions.

We must also energetically develop domestic economic and technical cooperation, uphold the principle of learning from others' strong points to make up for our own deficiencies, benefiting and supporting each other, and directing joint efforts toward common progress, and establish extensive, long-lasting and stable relations of cooperation with fraternal provinces and cities, and especially coastal areas. Cooperation should focus on projects that contribute to an economic takeoff in our province. [Word indistinct] superior features of our province with its abundant supply of mineral resources must be exploited to

strengthen the production capacity for materials in extremely short supply and to develop products as parts of whole sets of mechanical equipment for coal mining. Every effort must also be made to increase the ability of light and textile industries and town and township enterprises in our province to adjust to market needs.

#### 7. Promote the Reform of the Educational System and Accelerate the Training of Talent

To meet the needs of the economic reform, appropriate reforms must also be effected in the educational system.

We must in a planned and systematic manner properly reform the system for the management of rural middle and primary schools and change the educational system of many years which involved county educational administrative departments' direct control of rural middle and primary schools. We must enable counties, towns (townships) and villages to run and manage schools at different levels. We must introduce the school principal responsibility system. In towns (townships), we must tentatively adopt the system of appointing teachers. Concerning funds required for educational undertakings, we must have state appropriations on a contract basis, levy an additional tax for educational purposes, and raise money through various channels. We must further readjust the distribution and structure of rural schools, and run schools in various forms at various levels with various standards followed. In carrying out the above reforms in the educational management system, we must go through experiments and sum up experiences. We must let these reforms unfold gradually. The aim is to fully arouse the enthusiasm for running schools on the part of counties, townships and villages, various segments of society and the masses of people and on the part of the masses of teachers and workers. Thus, rural middle and primary schools can be full of life and vitality, and we can accelerate the introduction of universal primary school education and take good care of rural secondary school education.

We must reform the structure of secondary school education and develop vocational and technical education, in order to turn out large numbers of skilled personnel of middle and junior grades. This is an important task in reforming the educational system. The most important thing in developing vocational and technical education is that we must further solve the problem of awareness, establish a management system for vocational and technical education, study and define certain policies for the development of vocational and technical education, strive to change the current situation marked by the slow development of vocational and technical schools, the shortage of teachers and financial difficulties, and gradually establish a vocational and technical education system involving many levels, cooperation with different trades a rational structure, and a linkup with general education, to develop together with it. In future, we must introduce the labor employment system of "first training and then employment." In recruiting workers, various units should make their choice from among the graduates of vocational and technical schools. All workers must obtain qualifying certificates before they can take up their jobs. The training of teachers for vocational and technical schools must arouse the attention of educational departments at various levels.

We must continue to make proper experiments in the reform of the management system for higher education. The most important thing in reform is that we must correct such a defect as the state and various departments monopolizing institutes of higher learning and imposing too rigid controls, enlarge the decision-making power of institutes of higher learning in their operations, strengthen wider links between institutes of higher learning and enterprises, research organs and other relevant organizations, and link the operation of schools and scientific research funds with the training of skilled personnel and an improvement in the number of scientific research products and their quality. Thus, institutes of higher learning can show enthusiasm and an ability to adjust quickly to the needs of economic and social development. This reform must begin first with a reform of the college enrollment system and the system of assigning graduates. The phenomenon of college enrollment plans being detached from the needs of national construction must be changed. An experiment must be made with the system of training people on others' behalf. Schools are to sign contracts with employment units to train students according to the needs of employment units. Employment units are to hand over a given amount of money to the schools concerned as a training fee. After graduation, the students concerned will go to work with the employment unit as bound by contract. While reforming the management system for institutes of higher learning, we must energetically develop vocational higher education and adult higher education.

We must step up the improvement of operating conditions for various schools. This year, the province appropriated 75.8 million yuan as an investment in educational capital construction, an increase of 94.4 percent over the preceding year. This is the year with the highest provincial investment in educational capital construction. Relevant departments must make good use of this kind of money and achieve the aim of using it with concentration, insuring attention to priority projects, improving economic results, and strictly forbidding misappropriation. The vast countryside of our province has achieved optimum results in arousing collective economic organizations and individuals to raise money for the operation of schools. We must continue to introduce this experience, which has proved effective. We must also bring it to the cities and attract funds from various segments of society to finance education. The aim is to bring about a continuous improvement in the premises and equipment for primary schools. The work-study program is our fine tradition. It can allow an increase in educational funds. More important, it can help cultivate students' ability to be independent. This system should be upheld.

Establishing a solid force of qualified teachers is a key to the development of various kinds of education and an improvement in education quality. We must energetically improve the quality of teachers and show respect for teachers' labors. This year, through observing the first Teachers' Day and launching other activities, we must further promote the good social trend toward respect for teachers.

#### 8. Reform the Scientific and Technical Management System and Promote the Further Combination of Science and Technology with Production

We must seriously carry out the CPC Central Committee's decision on reforming the scientific and technical system. In the latter part of April, our province called a scientific and technical work conference and put forth certain measures for the thorough implementation of the central decision. Various areas must properly act on these measures.



We must change the ways of handling funds for research organs. 1) We must set up scientific and technical development funds at provincial and prefectural (city) levels. These funds, made up of allocations for three items of outlay for science and technology and of investments in science and technology obtained through other channels, are to be devoted chiefly to scientific research projects included in provincial, prefectural (city) and departmental plans that carry great significance in economic construction and scientific and technical development, to pioneering research projects involving great economic results and relatively big risks, and to a small number of priority laboratories required in the development of new technologies and construction projects or experiment centers. Concerning the use of scientific and technical development funds, we must gradually experiment with the management method of being oriented toward society, openly inviting tenders and accepting the best offers in signing contracts. 2) For technical development and applied science research work with immediate actual results in prospect, we must gradually introduce a technical contract system. This year and next, we must complete the transition of independent research organs at and above the prefectural (city) level throughout the province from appropriations for operating expenses to a technical contract system. 3) For research organs devoted to undertakings for the good of the public, such as agriculture, medicine, sanitation, environmental science, and so forth, and for organs involved with informaiton, required standards, weights and measures, observation and other scientific and technical services and fundamental technical work, fund allocations will still come from the state on a contract basis. 4) For fundamental research of institutes of higher learning and research organs and for some fundamental applied science research work, the system of establishing funds for scientific purposes is introduced. The reform of the system of handling funds is intended to stimulate the combination of scientific research units and production units, so that their interests can be interrelated and the defect of scientific research being separated from production can be overcome. Appropriations from revenue for scientific and technical work will continue to gradually rise. All that is obtained from reductions effected in operating expenses through the introduction of the technical contract system will be devoted to the development of scientific and technical undertakings.

Developing a technical market is an important way to establish links between science and technology and production. The technical market is a commodity market of a particular kind. Through the transfer of technical products with compensation, it links up the economic interests of research organs and production units. This helps in quickly turning problems required to be solved by production units into subjects of scientific research and in quickly applying scientific research results to production. The development of a technical market calls for keeping abreast of information about supply and demand. By forecasting market needs and passing on market information, we must quicken the commercialization of scientific and technical products. Through technology exchange conferences, talks, exhibitions, and other forms, we can bring about meetings between suppliers and buyers and gradually increase people's awareness of technology as a commodity, so that they can consciously act according to the laws governing the economy.

We must further enlarge the decisionmaking power of research organs. Research organs of various kinds must gradually introduce the director responsibility

system. In research organs, we must introduce the system of contracting for given subjects of study. Independent research organs must be oriented toward society and gradually turn themselves into independent research development entities. The research organs of enterprises must also gradually develop themselves into economic entities.

#### 9. Strengthen the Socialist Legal System and Insure the Smooth Progress of the Economic Reform

The reform of the economic system calls for a stable and fine social environment. Through the struggle to crack down hard on serious criminal activities and serious economic crimes, there has been an obvious turn for the better in our province's social order. But there has not been a fundamental turn for the better. Given a new situation in which an open-door approach is combined with an effort to enliven the domestic economy, some criminal elements have taken advantage of reform to assert themselves. In some areas, there has been a trend toward an increase in economic crimes. This must arouse sufficient attention on our part. We must continue to crack down hard upon serious criminal activities and serious economic crimes. In light of actual conditions regarding criminal activities, various areas must decide on the points of emphasis in a crackdown. Within a given period of time, they must get hold of one or two crimes that cause serious harm as targets of concentrated attack, making great fanfare and striking fear into criminal elements. The campaign to crack down hard upon serious economic crimes focuses on those criminal elements who take advantage of reform to practice corruption or bribery, engage in smuggling and other illegal trading practices, engage in speculation and practice fraud, mark up commodity prices, evade taxes and refuse to make tax payments, misappropriate state and collective property, and encroach upon the legitimate rights and interests of specialized households and economic combines, and those run afoul of the criminal code. We must get rid of various obstacles and ways of interference and insist on handling cases according to the law.

Comprehensive treatment is a fundamental measure for keeping peace and order and reducing the rate of crime. In this respect, various departments, social organizations and units have their own responsibilities. We must further perfect the basic security organizations and the people's mediation organizations, take good care of security and prevention work and the people's mediation work, strengthen the education and transformation of people subjected to reform through labor or through education, and properly handle the business of educating and saving delinquent youths. Every unit must perfect its own security system. We must continue to widely launch a campaign for creating civilized villages, civilized units, and honored households mindful of discipline. With these comprehensive treatment measures properly taken care of, there will surely appear a fundamental turn for the better in social peace and order.

In the decision of the 3rd Plenary Session of the 12th CPC Central Committee, it is pointed out that the reform of the economic system and the development of the national economy have called for codifying more and more standards for economic relations and economic activities. With an eye to the actual needs of economic construction and social development in our province, we must in a

planned manner formulate some local rules and regulations and apply economic laws and regulations to economic management. We must strengthen education in the legal system and instill into the masses of people general legal knowledge on a universal basis. We must first of all popularize general legal knowledge among the whole body of cadres and especially cadres at and above the county level. The working personnel of governments at all levels must take the lead in studying law, observing laws, handling cases impartially, and strictly enforcing laws. The judicial and administrative departments must actively provide legal services for economic construction, energetically support legal societies, societies for the study of economic laws, lawyers' associations and other mass organizations in carrying out various legal service-related activities.

#### 10. Attach Great Importance to Environmental Protection and Realistically Control Environmental Pollution

Environmental pollution is a problem of great concern to the people throughout the province. We must firmly and unswervingly carry out the "Environmental Protection Law" promulgated by the state and take realistic measures to actively prevent and control pollution and protect environments.

First, we must uphold the guideline of simultaneous development of economic construction, urban construction, and environmental improvement efforts, and control the generation of new sources of pollution. For all new construction projects, expansion projects, reconstruction projects, and technical transformation projects, we must strictly carry out the rule calling for "simultaneous development in three respects." All projects for which no pollution control arrangements have been made according to the "Environmental Protection Law" must be provided with needed antipollution facilities within a prescribed period of time. Otherwise, all such projects will be denied approval and will not be allowed to go into operation. This must be strictly upheld by all construction units. The planning committees, economic committees, and environmental protection departments must strictly monitor this.

In those cases where pollution has been caused, we must continue to put in intensified efforts and exercise control in line with the principle of "the job of control falling upon those responsible for pollution." This year, the provincial People's Government has appropriated 20 million yuan for controlling pollution caused by chemical industries in Taiyuan City and the Taiyuan steel works. To accelerate the progress of construction projects for the introduction of gas in large and medium-sized cities, Taiyuan City must enable 60 percent of its urban residents to use domestic gas by the end of this year. Yangquan City must enable more than 34,000 households of its residents to use gas. Datong City must step up preliminary preparations for construction projects for the introduction of gas. Changzhi city must complete as quickly as possible feasibility studies for the introduction of gas and actively try to solve the problem of polluted drinking water. Industrial departments should list pollution control as an important item in the technical transformation program. No less than 7 percent of various enterprises' funds for upgrading and improvement purposes should be devoted to pollution control. The additional charges for waste disposal imposed should all be devoted to environmental protection. For

projects effective in treating "three kinds of wastes," we must give preferential treatment or incentives in taxation, credit terms, and so on. Pollution caused by town and township enterprises should arouse sufficient attention on our part. We must resolutely carry out the State Council's "Regulations on Strengthening the Environmental Control of Town, Township, and Neighborhood Enterprises," and work on pollution prevention. Those enterprises causing serious pollution, but lack effective control measures, must be suspended.

This year, we must take good care of the "Seventh 5-Year Plan" for the environmental protection of our province, and define the targets of control and major measures before 1990. In the 5 years, we must focus on solving the pollution problems of Taiyuan, Datong, Yangquan, and Changzhi and take good care of pollution control measures for several major water systems, including the Fenhe and the Qinhe rivers. Various prefectures, cities, and counties must also formulate appropriate plans. The provincial People's Government will call in the latter part of this year a provincial environmental protection work conference to discuss our province's "Seventh 5-Year Plan" for environmental protection and will make a decision on environmental protection.

Environmental protection calls for strictly acting according to the law. We must energetically publicize the state's "Environmental Protection Law" and the environmental protection law promulgated by our province. In light of actual conditions, we must formulate some new local regulations. This year, the provincial people's government will draw up the "Environmental Control Implementation Measures for Town, Township, and Neighborhood Enterprises of Shanxi Province," "Implementation Rules Governing Shanxi Province's Enforcement of the 'Tentative Measures for Collecting Waste Disposal Fees,'" and "Implementation Measures for Prevention and Control of Water Pollution." After the promulgation of these regulations, departments and units must act in conformity with them.

Deputies, simultaneously with the building of material civilization, we must further strengthen the building of spiritual civilization. In his speech at the National Scientific and Technical Work Conference, Comrade Deng Xiaoping pointed out that in building a socialist society with Chinese features, we must conduct education for the people throughout the country, so that they can have ideals, moral principles, cultural knowledge, and a sense of discipline. We must properly study this important speech of Comrade Deng Xiaoping. We must definitely educate our people, and especially our young people, so that they can have ideals, Marxist convictions, communist convictions, and social ethics marked with a love for the motherland, for the people, for labor, for science and for socialism, and oppose capitalist, feudalist and other decadent ideas. We must make everyone bear firmly in mind the fact that the kind of modernization in which we are involved is socialist modernization, and not any other kind. We allow the development of individual economic operations and also Chinese-foreign joint-venture operations and foreign independently financed enterprises, but always with the socialist system of public ownership as the mainstay. The aim of socialism is common prosperity for the whole body of people. We favor some of the people getting rich first. We want a portion of the people who have got rich first to help those who have not to share common prosperity, and we do not want polarization. The aim in our opening up to the outside world and seeking invigoration is to develop the socialist economy.

But decadent capitalist and feudal ideas would take advantage of the chance to go around and spread and even intrude into our state organs. In the face of this, we must educate the cadres and the masses, so that they can increase their capacity for discernment and consciously resist them. Our young people and adolescents are successors to the socialist and the communist cause. We must not let them be taken captive by capitalist ideas. We must not let the principle of exchange of commodities enter the field of political life and the ideological area. We do not allow principle, personality, and honor to be traded as commodities. We must educate the cadres and the masses in the need to observe discipline and fight various unhealthy trends. In building spiritual civilization, cultural, art, news, publishing, radio, television and other departments shoulder important tasks. They must use revolutionary, patriotic, healthy, and rich and colorful spiritual products and images to vividly and effectively preach socialist spiritual civilization, to inspire the masses of people's confidence in modernization, to enrich the people's spiritual life, and to arouse people's go-getting spirit in the struggle for modernization. Schools, enterprises, and mass organizations must carry out various lively activities to guide the young people in building a healthy and beautiful spiritual life, foster lofty moral values and aesthetic viewpoints, and reject and resist cheap and vulgar stuff of various kinds. Thus, they can grow to become a new socialist generation. At present, some pornographic and unhealthy videotapes, audiotapes, tabloids and handwritten copies in circulation on the social scene have a very harmful effect on youths and adolescents. Public security, cultural, educational, radio, television, industrial and commercial administrative, and other departments must take resolute measures, make strict investigations, and ban these things. Those involved in smuggling, making, peddling, and organizing the dissemination of obscene stuff must be dealt with, depending on the circumstances. Those who commit acts constituting crimes must be punished according to the law.

Public health and physical culture work must make new contributions toward bettering the people's health and strengthening their physique. Family planning must be continuously given close attention. Especially in the countryside, there should be absolutely no relaxation of controls over family planning. We must hold down the birth rate for the provincial population this year to below 1.5 percent and the natural population growth rate to 0.89 percent.

#### On Improving Government Work

Deputies, an important part of the economic reform program calls for the separation of governmental and enterprise functions and the simplification of administration with delegation of power. This is to say that government organs must keep one step ahead of reform and be the pacesetters in reform.

The prerequisite for the reform of government organs is that we must understand that the organs' fundamental duty is to serve the people and the basic-level enterprises. Government organs belong to the superstructure. The duty of the superstructure is to serve the economic foundation. In the past, a traditional idea formed over a long period of time was that the duty of government organs was a matter of "control and involvement in management." Enterprises'

personnel, financial and material resources, and matters of production, supply, and sale all had to be subject to control and approval by government departments. These practices run counter to objective economic laws, with the very consequences, as pointed out in the decision of the 3rd Plenary Session of the 12th CPC Central Committee: "Enthusiasm, initiative and creativity on the part of enterprises and the masses of workers suffer serious repression, causing what should have been a dynamic socialist economy to lose its vitality to quite a large degree." In the past, our administrative organs used to play the role of "grandmothers" and relied upon dignity and power of the "patriarchal type." Now they must drop airs and properly play the role of servants. This indeed represents a very big change. Government organs at various levels should accordingly adjust to this change. Toward this end, they must consciously simplify administration and delegate power. All powers that involve enterprise production and operating activities must be assigned to enterprises, no matter which level controls them. Powers should not be shared only by administrative departments and administrative levels. Government organs connected with economic management must fulfill the 8 duties pointed out in the decision of the 3d Plenary Session of the 12th CPC Central Committee. They must switch over from main emphasis on microeconomic management to main emphasis on macroeconomic management, do a good job of investigation and study, attach importance to the collection and delivery of economic news, and make constant forecasts and analyses of macroeconomic trends, so that the government's economic decisions can be scientifically based. Second, they must switch over from sole reliance on administrative means and administrative orders in economic management to a combination of economic, legal, and administrative means, with emphasis on economic means in economic management. Governments at various levels should mainly rely upon the role of economic levers to accomplish guidance plans. They must learn how to use the law of value and such economic levers as commodity prices, taxation, credit, wages, and so on in running the economy. Third, they must continue to cut administrative organs to a minimum and reduce the administrative staff and the staff of institutions. They must resolutely check such trends as setting up more organs, upgrading organs, enlarging the staff, and freely creating posts. Temporary organs with functions that overlap with those of departments in charge must be abolished. For the majority of administrative departments, the main problem at present is not an inadequacy of staff but overstaffing. Continuous expansion of organs or enlargement of the staff can never be tolerated. The superfluous staffers of administrative organs must switch over to tertiary industry; we must especially develop such new industries as providing technical advice, supplying market news, and so forth. Fourth, they must further perfect and strictly enforce the on-the-job responsibility system and strive to raise their efficiency. Functioning government departments must independently handle problems within their own sphere and should not pass on to higher levels or other departments things that are their own duty or responsibility. Shuffling off responsibility upon others and thus messing up work must be treated as a case of neglect of duty. Departments and units must clearly define the duties for every worker and specific clear-cut quality and time requirements for every piece of work. All government organ workers must show strict devotion to duty and fulfill all their given duties in a job. The administrative departments must consider the interests of the masses and of enterprises in every respect. They must do away with complicated regulations and try to simplify procedures for doing things.



Administrative departments must continue paying attention to rectifying such new unhealthy trends as exploiting the authority of a person's position to serve private ends, freely handing out bonuses, throwing public money around, indulging in extravagant and wasteful practices, and so on. Any serious act in defiance of discipline must be severely dealt with. In rectifying new unhealthy trends, an important problem is to educate the masses of cadres, so that they can ideologically see the harm, raise socialist consciousness, strengthen the ability to resist various unhealthy trends, play an exemplary role in observing discipline and obeying laws, faithfully performing official duties and wholeheartedly serving the people, and dedicate themselves to modernization. All administrative organs and institutions must make every cent count, save on operating expenses, and pay particular attention to controlling conference funds. For conferences called by various departments directly under the province, outlays must come from funds budgeted for on a contract basis. No subsidy will come from provincial revenue. Conference workers should be reduced to a minimum, and the duration of a conference made as short as possible. Citation meetings must be kept simple. Random distribution of souvenirs or awards should be forbidden.

We must uphold a down-to-earth ideological line and work style. In doing all work, we must proceed from realities. Applying "the same knife or the same fixed standard" to everything without regard to different circumstances, rushing into action in the first heat of mass enthusiasm, trying to get everything done all at once and getting involved with "stirring up winds"--all this can only lead to failure in our work. We must insist on speaking the truth, do things honestly, report both good and bad news, and try to prevent at all times such evil practices as making false reports and practicing deception from ruining our cause. We must cherish a firm and pragmatic spirit, pay attention to actual results in work, seek real benefits for the people, drop all big, empty, and deceptive talk and oppose such unhealthy practices as just paying lip service to what should be done and going through the motions of doing things. We must consider the interests of the masses of people at all times. All ideological styles that do not contribute toward the interests of the people must be resolutely dropped.

Deputies, the situation now unfolding before us is very favorable. We must cherish this very favorable opportunity, pay conscientious attention to organizing things and providing guidance, and properly handle the reform tasks this year. We firmly believe that under the correct leadership of the CPC Central Committee and the State Council, by relying on the unity, concerted efforts, and hard work of the people and the masses of cadres throughout the province, we can surely accomplish our tasks. Our objectives of struggle can surely be realized. Our reforms can surely be crowned with expected success.

CSO: 4006/751

PROVINCIAL AFFAIRS

GOVERNOR ON LIAONING'S INDUSTRIAL MODERNIZATION

OW031218 Beijing XINHUA in English 1040 GMT 3 Jul 85

[Text] Shenyang, 3 July (XINHUA)--It is cheaper and quicker to retool old plants than to build new ones, said Liaoning Provincial Governor Quan Shuren here today.

Liaoning's first measures toward technical transformation in 1981 allowed big firms to deal with foreigners, increased depreciation on fixed assets and reduced taxes on new products.

Provincial enterprises have since developed 3,339 new products.

State gold and silver medals for quality went to 98 products last year.

The 1930s Shenyang water pump factory can now produce efficient oil-field water injectors and boiler feeders. The 5,200 new pumps it sold in 1984 save 800,000 kwh a year.

Rebuilding the Chaoyang diesel engine factory would have taken 24 million yuan and five years. It took a quarter of that and three years to install 14 modern production lines turning out 10,000 high-speed engines a year, recouping the outlay in six months.

The Yingkou general washing machine factory, small four years ago, bought technology from Japan's Matsushita Electric Industrial Company. It is now one of China's major producers with a designed annual capacity of 500,000 double-cylinder washers.

The Shenyang transformer factory, China's biggest, began to modernize in 1980. Dust dropped 85 percent, allowing the production of China's first 500,000-volt, 360,000-kilovolt-ampere, three-phase regulating autotransformer.

Liaoning became a heavy industrial center in the 1950s, leading China in machine-building, coal mining, petrochemicals and building materials.

CSO: 4020/291

PROVINCIAL AFFAIRS

XIZANG ENGINEER REVIEWS REGION'S PROGRESS

OW030857 Beijing XINHUA in English 0648 GMT 3 Jul 85

[Text] Ihasa, 3 July (XINHUA)--The Tibet autonomous region today is a world apart from what it was only a few decades ago, though still far behind other parts of the country industrially and technically, said Tomma Toinduicering, [name as received] the sole electrical engineer surviving from pre-revolutionary Tibet.

Since the first new hydroelectric power station was completed in 1956, hundreds of power stations and factories has been set up. "This could hardly have been imagined 30 years ago," he said.

Before 1951, when Tibet was peacefully liberated, there was virtually no industry in the region, except for a 90 kw hydroelectric power station serving a mint and a few landlords.

Tomma Toinduicering was one of three technicians trained in Britain toward the end of the 1920s. One majored in mining, another in telegraphy, and he himself in electric engineering.

"There was no room for us to display what we had learned at that time," Tomma recalled. The one who learned mining found a gold mine but the lamas opposed developing it on the pretext that he had destroyed the vein of the earth, which was forbidden by the religion. The telegraphist had to change his profession and became a county magistrate.

Tomma was fortunate enough to become an assistant to the director of the then-small hydroelectric power station at Dodi, which could only power 500 bulbs.

It was very difficult at the time to maintain the power station. There was no machinery and no parts. And he was often rebuked by local officials who knew nothing about electricity.

The laming power station did not fulfill its potential until after 1951, when the central government sent men and technicians to rebuild it. "Only then did I find room to display my talent," Tomma said. The 90 kw power

station was expanded to 660 kw and for the first time in Tibetan history common folks in Ihasa began to use electricity for lighting.

Now Tomma is in his 70s, living in a spacious house in a small lane in southeastern Ihasa. In the 700-square-meter courtyard are growing a variety of flowers, fruits and vegetables.

In his living room are sofas, Tibetan cabinets and a desk on which is displayed a gilt buddha image and a color television. The bookshelves are full of newspapers and magazines in English, Tibetan and Chinese.

He is now an honorary council member of the Chinese water conservancy society, advisor to the editorial board of the history of water resources in Tibet, and a vice-chairman of the Ihasa City committee of the Chinese People's Political Consultative Conference (CPPCC).

His wife serves as vice-chairman of the Tibet autonomous regional committee of the CPPCC. His two sons and two daughters all have their own jobs after graduating from colleges. His eldest grandson is a teacher at the Tibet College of Education.

During festivals, the family of 21 gather together for family reunions, Tangmai said.

There are thousands of Tibetan technicians now, he remarked. "Many of them are young and in them I see the future and hope of Tibet."

Though advanced in age, Tomma is still working on electric power development in Tibet. Only recently, he completed an article on the history of the development of electric power in the autonomous region.

CSO: 4020/291

XIZANG HOUSEHOLDS TAKE UP COMMODITY PRODUCTION

OW111408 Beijing XINHUA in English 1323 GMT 11 Jul 85

[Text] Ihasa, 11 July (XINHUA)--More than 50,000 peasant households in Tibet or 14 percent of the rural population have taken up commodity production and commercial and service work, according to autonomous region authorities.

Families are processing farm produce and animal products and working at transport, construction, handicrafts, trade, catering and other services.

The Gyalo family in Doilungdeqen County with seven laborers out of ten family members earned 17,000 yuan last year. Their per capita earnings averaged three times those of other county families. They undertook transport, production of building materials, flour processing and also contracted farmland from the collective.

Peasants and herders in Tibet earned 69.45 million yuan from side-line occupations in 1984, double that of 1980. Labor services brought in a total income of 79 million yuan last year.

There are now 83 peasant markets in Tibet as against 10 in 1983. More and more farm produce and animal products formerly consumed by peasants and herdsmen themselves are now sold at the market as commodities. Last year, a total of 14,000 tons of beef and mutton were sold at the market.

According to a survey in Ihasa alone, sales of farm produce came to 5.7 million yuan in the first quarter of this year, 51 percent more than last year's like period.

Tibetans used to think engaging in trade was something disgraceful. In 1980, there were only 489 households doing business. Now there are over 20,000 such households.

In Namling county seat, there was only one state store and one vendor in 1981. Now there are about 100 shops, stalls and other service facilities.

Of the region's total retail sales of 1,057 million yuan last year, collectives and individuals accounted for 59.2 percent.

Now the amount of cash income and scale of commodity production of a family have begun to be accepted as the measurement of the living standard in Tibet rather than the traditional concept of number of livestock and quantity of grain.

Half of Tibet's counties now have information service offices. Some people have begun to purchase wholesale goods from Shanghai, Guangzhou and other big cities.

Local officials describe the new situation as the "wind of commodity production which is stirring up the natural economy. The market forces are attracting a growing number of peasants and herders and a competitive spirit is inspiring them to improve management and techniques."

"Though commodity production in Tibet has not caught up with other areas in China, the current development has finally broken the ice of the natural economy which has dominated the region for thousands of years," the officials told XINHUA.

CSO: 4020/291



GOVERNMENT WORK REPORT OF XIZANG REGIONAL GOVERNMENT CHAIRMAN

Restructuring Production Stressed

HK210331 Lhasa Xizang Regional Service in Mandarin 1130 GMT 20 Jul 85

[Text] In his government work report delivered at the third session of the Fourth Regional People's Congress, Regional Government Chairman Duojiecaidan pointed out: Xizang is a vast place with rich resources. So long as we do well in readjusting the economic structure, arrange the productive forces in a rational way, and turn the rich resource advantages into economic advantages, we will be able to speed up the pace of economic construction in the region. He proposed five measures for developing Xizang's economy:

1. Make full use of Xizang's unique resources in agriculture, animal husbandry, and forestry and vigorously develop these undertakings. This is the basis for speeding up economic construction in the region.
2. Make full use of the rich indigenous resources, and vigorously promote diversification. We must do well in promoting light and textile industry, food industry, and nationality handicrafts concentrating on the processing of agricultural, animal, and indigenous products. We must also promote the timber, building materials, and fodder processing industries.
3. Make full use of our abundant and varied energy resources. We must focus on developing energy construction centered on hydroelectric and geothermal energy, to meet the needs of developing the region's economic construction.
4. Make full use of our unique advantages as the roof of the world and Xizang's ancient nationality culture to vigorously develop tourism and thus lead forward the development of the entire tertiary industry including commerce, catering, services, telecommunications, finances, and medical and public health services.
5. Make full use of our abundant mineral resources and actively develop mining.

Duojiecaidan stressed in his report: Animal husbandry occupies a decisive position in Xizang's economy. We have excellent conditions for developing this business. So long as we implement the principle of concentrating on

animal husbandry in readjusting the production structure of agriculture, we will be able to lay a good foundation for invigorating Xizang's economy and speed up our pace of development.

He said: We must correctly comprehend and implement the principle of concentrating on animal husbandry. The pastoral areas must change their traditional natural economy concept and backward production methods, and gradually switch to modern animal husbandry. The main problems at present are: There are serious contradictions between pastureland and the number of animals, the quality of the stock is poor; and the commodity rate of animal products is low. Hence, under the premise of appropriately controlling the total number of livestock, we must rationally use and do well in looking after the existing pastureland. Places where the conditions are right should carry out pastureland construction, mainly for winter and spring pastures. We must take the necessary economic measures to readjust the mix of the herds, increase the elimination rate, improve the selection of good strains, and raise the quality of the livestock. We must do a good job in science and technology research and popularization, organize demonstrations, and promote scientific stockbreeding. We should gradually establish a science and technology setup serving animal husbandry, organize science and technology contracts and popularization, and switch to modern stockbreeding.

In order to overcome the one-sided concept of simply stressing large numbers of livestock, we must in future regard the (?plowing rate), the numbers being marketed, and the commodity rate as the main criteria for judging animal husbandry.

Duojiecaidan said: In instituting the principle of concentrating on animal husbandry, we must in the current stage focus our work on pastoral areas and semi-agricultural and semi-pastoral areas. We must take full advantage of the economic strong points of these areas in combining agriculture and animal husbandry and their superior natural conditions for developing animal husbandry and providing society with more animal products.

We must seriously readjust the internal structure of agriculture, rationally decide on the proportions of crop cultivation and stockbreeding, and gradually establish a new production structure with all-round development of animal husbandry, agriculture, forestry, and fisheries and comprehensive operation of agriculture, industry, commerce, and transport. We must continue to do a good job in improving the strains of cattle and sheep and develop pig-raising.

Practice has proven that there is no way out for a single-product agricultural and animal husbandry economy. Xizang's agricultural and animal husbandry economy can only take off by concentrating on animal husbandry and going in for diversification.

## Issues in Reforms, Opening Up

HK220323 Lhasa Xizang Regional Service in Mandarin (?) GMT 21 Jul 85

[Text] In his government work report delivered to the Third Session of the Fourth Regional People's Congress, Xizang Regional Government Chairman Duojiecaidan stressed that to achieve modernization of the economy and socialization of production, it is essential to vigorously develop commodity production.

Chairman Duojiecaidan said: Fundamentally speaking, developing commodity economy means developing production, increasing the number of products, and promoting circulation and exchange. Due to historical social reasons, commodity economy in Xizang has developed slowly. We must therefore carry out the necessary propaganda and education in commodity production and provide the necessary guidance for it. In the rural and pastoral areas, we must switch from single-product crop cultivation and stockbreeding to industry, commerce, transport, and other diversification items. We must vigorously support specialized households and various types of economic combines. We must organize the surplus labor to engage in a variety of developmental production.

We must step up construction in the area of the Yaluzangbu, Nianchu, and Lhasa Rivers and use this as a prop to lead forward, by its radiation, the development of commodity economy in the whole region.

In the towns, we must vigorously develop collective and individual economy, actively support and develop processing industry and nationality handicrafts, and increase the number of new products that sell well and are needed in the markets.

The enterprises should persist in focusing on one trade while promoting diversification. It is necessary to attach importance to and develop tertiary industry, vigorously clear the circulation channels, and provide [word indistinct] before and after commodity production. We must attach importance to and step up the construction of small towns, to promote the development of commodity production and exchange.

Chairman Duojiecaidan said in his report: We must seriously solve problems that have appeared in reform and continue to forge ahead with reforms in a healthy and smooth way.

He said: As a result of reforms of the economic structure in the past year, the region has started to break away from its ossified and closed economic setup which had formed over a long period. A good momentum of economic liveliness has emerged. We must take full advantage of this favorable opportunity to continue to press ahead with reforms in a healthy and smooth way. In making a success of reforms, in light of the current situation in the region, we must focus on solving the following problems:

1. Continue to get a good grasp of reforms in the communications, construction, commerce, grain, and industrial enterprises. This is the key to making a success of reforms of the urban economic structure in the region. Through reforms, we should bring their potentials and superior features into full play.

2. We must stress economic results and invigorate the enterprises. In carrying out reforms this year, we must continue to invigorate the economy and achieve a relatively great improvement in economic results in all aspects, to create conditions for further harmonizing the various economic relationships and to lay the foundation for future economic invigoration.

3. We must develop and perfect the various types of economic responsibility systems in the enterprises. Some large enterprises should be appropriately divided into smaller accounting units, so as to improve management and operational standards.

4. We must correctly handle the relations between the state, the enterprises, and the workers. We must follow the principle that the state gets the biggest slice, the enterprise gets the medium one, and the individual gets the small one, take care of the interests of all three, and reform the distributions setup.

5. We must improve service provided by the organs, to ensure the smooth progress of reform. We must be resolved to gradually carry out active and cautious reform and streamlining of the organs. Providing services by the government organs mainly refers to planning, coordination, services, and supervision. The organs must face the whole region and be concerned for all sectors and trades, not just those enterprises under their charge. We must separate government administration from enterprise management, further streamline the administration and delegate powers, expand enterprise decisionmaking powers, and reduce the number of non-productive personnel.

Chairman Duojiecaidan pointed out in his report: In persistently opening up to the world, we must strengthen management to ensure the healthy development of opening up.

He said: It is our unswerving principle to open up to the world and ensure links and exchanges in all directions. Since the forum on work in Xizang held last year decided to institute opening up to the world, there has been an initial opening in Xizang's situation of being closed to the world, which formed over a long time. Internal and external exchanges have developed. Our economic vitality has been stepped up somewhat. Profound changes are now taking place in people's traditional ideological concepts. We must continue to firmly advance in this direction.

Chairman Duojiecaidan said that it is essential to strengthen management in order to make a success of opening up to the world. Only thus can we ensure the healthy and smooth development of opening up. At present, in opening up, we must learn how to manage and strengthen management; in close connection with Xizang realities, and in light of different circumstances, we must

consider things from the strategic angle of economic development. We must welcome, open ourselves to, and absorb as many things as possible which benefit Xizang's economic development, we must appropriately limit those things that exceed requirements; we must control and ban things that do not benefit the region's economic development, and bad things; and we must crack down on violations of law.

In the future the government must formulate corresponding rules and regulations regarding this aspect. In some cases we will also ask the People's Congress to draw up legislation. We should gradually set up a new management setup and method suited to the new situation of opening up and invigoration.

At present, in opening up to foreign countries, we must realize that our work has not really got going, and we must take vigorous action; and we must also stress that this work must be done in a centralized and unified way with leadership, planning, and organization.

Chairman Duojiecaidan said in his government work report: Competition is an important method for invigorating the enterprises. Progress and development can only come about through competition.

He said: Competition is brought about by the role of economic laws. It is a form of expression of the law of value. Under conditions of socialist commodity economy, competition is essential as a motive force and pressure needed for vigor and invigoration of the enterprises. Only through competition can we effectively break through the blockades and monopolies hampering the development of the productive forces, promptly expose the shortcomings in the enterprises, stimulate production technology and operational management in the enterprises, and spur the development of the national economy and all undertakings.

The primary thing in invigorating the enterprises is to strengthen their competitive ability. In addition, people's traditional concepts and value concepts will be greatly changed through competition, and a competitive spirit will be encouraged. People will overcome the force of habit of being content with the status quo, relying on conservative ways, fearing changes, and sticking to conventions.

Chairman Duojiecaidan said: The enterprises in our region have been tested in competition in the last 1 year and more. The majority of them have been invigorated, improved their economic results, and recorded development. However we must also realize that our enterprises are not very good at adapting to changes. They have little ability to make a profit and to develop new products and new markets. Some enterprises, fearing they will come to grief in competition, rely on protectionism. A few enterprises which are at their wits' end in competition face elimination.

In view of the current state of the region's enterprises in competition, to make a success of competition, it is essential to further heighten people's understanding in the course of practice. We must perceive our strong points

and learn how to compete and be bold in competing. Reform should create conditions for competition. We must tangibly improve operational management, improve the quality of the enterprises, and strengthen their competitive ability. With regard to certain negative things that emerge, we must apply economic, administrative, and legal measures to strengthen supervision and control over competition. In this way we can fundamentally guarantee that competition will develop normally and in a direction beneficial for the development of socialist social productive forces.

#### Economic Issues Discussed

HK200237 Lhasa Xizang Regional Service in Mandarin 1130 GMT 19 Jul 85

[Text] In his report to the Third Session of the Fourth Xizang Regional People's Congress, People's Government Chairman Duojiecaidan pointed out that an excellent situation has emerged in the region over the past year, with political stability, prosperous economy, developed production, and improved living standards.

He said: Summing up the experiences in reform over the past year, we find the following marked characteristics: 1) Reforms in the agricultural and pastoral areas and urban reforms have basically been carried out synchronously, and have stimulated and promoted each other. 2) On the basis of delegating powers, we have led forward the overall reform effort by starting with communications, commerce, transport, and other major enterprises that have a major impact on the economy of the whole region. 3) We have opened the gates of Xizang, opened up to the world, and stepped up exchanges, resulting in an enlivened economy and prosperous markets. 4) We have made relatively big progress in reform of the price setup. This has played a positive role in harmonizing the various economic relationships. 5) Construction of the 43 projects has speeded up the effort to open up to the world and stimulated the process of reform in the building, transport, materials, and forest industry enterprises.

Speaking on the achievements gained on various fronts in the region last year, Chairman Duojiecaidan said: In 1984 the total industrial and agricultural output value of the regional was over 806 million yuan, a rise of 14.7 percent over 1983. Agriculture and animal husbandry revived and developed quite fast. Industrial output value was 168 million yuan, a rise of 7.5 percent over 1983. Output of nationality handicrafts reached 14 million yuan, a rise of 26.4 percent. The region fulfilled ahead of schedule the Sixth 5-Year Plan targets for electric power, wool, woolen blankets, sulphuric acid, and logs, notable success was achieved in capital construction. Total housing completed was about equal to the total for the previous 2 years. Progress on the 43 projects has been rapid, and the quality of work is good. New developments have occurred in communications, transport, foreign trade, and tourism. Relatively good successes have been achieved in education, culture, science and technology, public health, and sports.

There has been a notable improvement in living standards. The average income of the peasants and herdsmen last year was 317 yuan, an increase of 101 yuan over 1983.



The work of setting up townships has been basically completed. The building of political power and of the legal system has been stepped up. There has been a notable turn for the better in social order. The border defenses have been consolidated. The region enjoys stability and unity.

Chairman Duojiecaidan pointed out: In invigorating Xizang's economy, we must uphold the correct guiding ideal of switching from closed to open-style economy and from a supply to an operational economy. He said: Economically, in order to truly succeed in basing our efforts on Xizang's realities, we must boldly adopt policies which differ from those in the interior of China but which help to develop Xizang's productive forces. Acting in the spirit of reform, we must emancipate our minds, be bold in exploring and in practice, eliminate all old concepts and conventions that do not accord with Xizang realities and do not help to develop the productive forces, and fully mobilize the enthusiasm and creativity of the people of all nationalities in the region. We must be resolved to take advantage of our strong points and avoid the weak ones, get a good grasp of basic work for economic construction, strive to enhance the enthusiasm of the operators, and improve economic results, to enable the economy of the region, relying on its own vitality, to embark on development by its own initiative and enter a benignant cycle.

Chairman Duojiecaidan pointed out: Correctly understanding and practicing the principle of regarding regulation by market mechanism as the main factor is a major issue in economic work in Xizang. By practicing this principle we will effectively stimulate commodity production. He said: The decision to practice this principle was taken after seriously analyzing the objective realities of Xizang. In practicing this principle, the cadres at all levels must first enhance understanding and switch from the concept of simple planned economic management. They must learn how to apply to bring into play the role of the law of values and regulation by market mechanism in organizing economic activities. Second, the enterprises must organize production in light of the changes in the markets and provide more commodities that sell well and are needed in the markets. State-owned commerce must actively organize source of supply within the unified socialist market in the region, ensure the supplies of daily necessities for the people, appraise prices, and play a dominant role in regulation by market mechanism. We must encourage and guide collective commerce and individual traders and hawkers, together with artisans of all kinds, to go to the rural and pastoral areas and remote mountain areas to engage in exchange and service activities, thus playing their role in regulation by market mechanism.

We should run various types of exchange fairs, display fairs, and horse races. These are good ways of enlivening the urban and rural markets. All localities should uphold and develop these traditional means of exchange, with their nationality characteristics. At the same time the government and functional departments at all levels must promptly provide market information, strengthen supervision and control, and ensure that the principle of regarding regulation by market mechanism as the main factor will play a positive role in leading the region's economic activities in the socialist direction.

Chairman Duojiecaidan said: Last year the region applied regulation by market mechanism to all agricultural, animal husbandry, indigenous, industrial, and handicraft products except for a few products such as timber and cement; it was not applied to the main commodities allocated to the region by the state. Mandatory plans were not handed down, planned procurement and distribution were abolished, restrictions on prices were lifted, and the markets followed the trends. These measures stimulated the development of commodity economy.

Chairman Duojiecaidan reiterated: In the pastoral areas, we apply the policy of having the households owning and rearing livestock, with their own decision-making powers. This will be kept unchanged for a long time. In the rural areas, we apply the policy of having the households using the land, with their own decisionmaking powers. This too will be unchanged for a long time. These are correct policies suited to the current level of development of productive forces in the region and to the masses' desires. Practice has proven that, under the premise of upholding public ownership of the basic means of production such as land, pastures, and forests, upholding these twoproduction responsibility systems that are not to be changed for a long time has caused emancipation of the productive forces and the development of commodity production. We have embarked on a path of developing socialist agriculture and animal husbandry with Xizang characteristics. This is an indispensable and inevitable process in the gradual switch of Xizang's agriculture and animal husbandry from self-sufficient and semi-self-sufficient natural economy to commodity economy.

Chairman Duojiecaidan pointed out: While carrying out the principle of concentrating on household operations, we must uphold the two production responsibility systems that are not to be changed for a long time, seriously study and sum up the new situations and problems that appear in practice, further promote reforms in the agricultural and pastoral areas, and do very well in combining the readjustment of the production relations with the development of the productive forces. We must strive to improve and perfect the various economic policies, and firm up pasture rights as soon as possible for the households, combinations of households, residential points, and natural villages. We must give the masses in the forest areas some powers of operation in forestry production. We must pay attention to guiding the specialized households and economic combines that have emerged in some places onto the production orientation of socialization and specialization.

CSO: 4006/792

PROVINCIAL AFFAIRS

GUANGZHOU TELLS FLY-BY-NIGHT COMPANIES TO SHUT DOWN

HK191005 Beijing ZHONGGUO XINWEN SHE in Chinese 1107 GMT 18 Jul 85

[Text] Eighty-one fly-by-nighters or "briefcase companies" in Guangzhou City have recently been notified by city industrial and commercial administrative departments to shut down. Another 358 commercial enterprises have been ordered to dismiss and replace some of their workers within a specified period of time, because of their involvement with participation by some party and government organ cadres.

These "briefcase companies" with no funds and no fixed site can adopt various means to grab illegitimate profits.

At present, relevant departments of Guangzhou City have banned all those "briefcase companies" run by party and government organs or by retired cadres. Some enterprises with legitimate sources of funds and with fixed sites of operation, which can operate legally, have been ordered to dismiss and replace administrative cadres on the staff. The aim is to separate government and enterprise functions and prevent the abuse of power to serve private ends.

CSO: 4006/792

PROVINCIAL AFFAIRS

BRIEFS

GOVERNOR CRITICIZES REFORMS--Xi'an should play a much greater role in national economic development, especially in developing the country's northwest region, said Li Qingwei, governor of Shaanxi Province at an economic seminar that opened earlier the week in Xi'an, capital of Shaanxi province. Xi'an is the largest city in China's northwest region, known as "the great northwest". More than 100 prominent economists, scholars and government officials attended the seminar on future strategies for Xi'an's economic development. "Without an economically prosperous Xi'an, Shaanxi Province and the Great Northwest cannot develop either," the governor said. Li also criticised the Xi'an municipal government for moving slowly in implementing urban reforms and neglecting macroeconomic planning. Lu Ping, associate editor of Shanghai's World Economic Herald, echoed the governor's view, saying that Xi'an, should take the lead in stimulating the regional economy during the next 15 years. [Text] [Beijing CHINA DAILY in English 2 Jul 85 p 2]

BEIJING BONUS TAXES--By 5 June, 2,002 state enterprises in Beijing Municipality, 86.6 percent of those which should pay the bonus tax, had paid 54.36 million yuan in bonus taxes, accounting for 90.6 percent of the bonus tax collection quota. [Summary] [Beijing BEIJING RIBAO in Chinese 7 Jun 85 p 1 SK]

BEIJING COMMERCIAL, SERVICE CENTERS--In the first 5 months of this year Beijing Municipality set up 11,973 commercial and service units, exceeding the annual quota by 20 percent. Of these units 25.4 percent, or 3,040, are state and large collective ones; 23 percent, or 2,272, are medium-sized and small collective ones; and 51.7 percent, or 6,191, are run by individuals. [Excerpts] [Beijing BEIJING RIBAO in Chinese 12 Jun 85 p 1 SK]

SHANDONG INDIVIDUAL ECONOMY--By the end of 1984 the number of individual-run industrial and commercial units with licences developed to 789,000 in Shandong Province, with a total employment of 1.15 million people, a 42.9-percent increase over the previous year. The total funds owned by these units amounted to 935 million yuan, a 190-percent increase. Their business volume came to 4.52 billion yuan, a 52-percent increase; and their total volume of retail sales came to 3.227 billion yuan, a 38-percent increase. Thus far, the number of individual-run industrial and commercial units has reached 820,000, with a total employment of 1.26 million people. These units have given jobs to 100,000 urban people and opened production and operation channels for 1.1 million rural people. In addition, they delivered a total of 150 million yuan in taxes to the state in 1984. [Summary] [Jinan DAZHONG RIBAO in Chinese 8 Jun 85 p 1 SK]

## ECONOMIC PLANNING

### SHANXI GOVERNOR ON ECONOMIC DEVELOPMENT STRATEGY

HK190831 Taiyuan SHANXI RIBAO in Chinese 29 Jun 85 pp 1, 2

[Article by Wang Senhao [3769 2773 3185]: "Attach Great Importance To the Study of Economic and Social Development Strategy"]

[Text] It is 32 years since the First 5-Year Plan was implemented in 1953 with our party leading the Chinese people in carrying out socialist construction. After the 3d Plenary Session of the 11th CPC Central Committee, the focus of the whole party's work shifted over to economic work. A very favorable situation of lasting, steady and harmonious development appeared in economic construction. Rapid development has also marked our province's economy since the founding of the PRC. From 1952 to 1984, total social output value throughout the province rose from 2.15 billion yuan to 33.7 billion yuan, an increase of around 14 times. Total industrial and agricultural output value rose from 2.9 billion yuan to 25.8 billion yuan, an increase of 7.8 times. National income rose from 1.32 billion yuan to 15.2 billion yuan, an increase of 10 times. On a per capita basis, it was up from 95 yuan to 580-plus yuan, an increase of five times. Summing up experiences in the past 30-plus years, we have deeply realized that in economic construction, we must proceed from reality. In line with the demands of objective economic laws, we must work out a correct strategy for economic and social development. This strategy is the center of society's activities in all fields. Macroeconomic and microeconomic countermeasures based on this strategy can allow the fullest development of the superior features of economic work, the appropriate and harmonious development of social activities in all fields, and the maintenance of the most rational pace of development to produce maximum economic results. Therefore, in our economic work, we must attach great importance to the study of strategy for economic and social development, so that economic work can show healthy development on a scientific basis.

The study of strategy for economic and social development is a new branch of learning that has emerged since World War II. It involves the analysis and assessment of various factors and conditions having an important effect on economic and social development over a relatively long period of time. It calls for proceeding from various aspects of a given situation bearing on economic and social development as a whole and working out goals and priorities to be achieved in social and economic development and the stages to be gone through in realizing such demands, plans to be adopted for the deployment of

forces, and major policies and measures to insure the realization of strategic goals.

In the past few years, along with the masses of cadres of cadres in economic departments, our province's research workers in the social and natural sciences have made a comprehensive study, from one aspect to another and from the simple to the profound, of problems of strategy concerning the whole province's economic and social development. They have put forth many valuable opinions, providing a scientific basis for the leadership at all levels to make decisions. In July, 1982, after the CPC Central Committee made a decision on building an energy base for heavy and chemical industries in shanxi, many comrades did large amounts of preparatory work. In 1983, thanks to the keen concern and guidance of the various departments of the CPC Central Committee and the State Council, the whole province organized up to a thousand people to make elaborate and conscientious investigations and studies and proceed with formulating plans to build an energy base for heavy and chemical industries. On this basis, well-known experts and scholars from inside and outside of the province were invited in June 1983 to hold a demonstration meeting on comprehensive plans for an energy base. This demonstration meeting played a great stimulating role in fostering the idea of Shanxi taking the building of an energy base for heavy and chemical industries as the main effort, in making things clear about the past and present conditions of the province in economic and other fields, in properly seeking an overall balance in various fields in line with the requirements for the building of an energy base for heavy and chemical industries, and in clearly defining the general goals to be realized by various departments at the end of the century and the concrete targets to be met at different stages. Of course, the plan for the building of an energy base for heavy and chemical industries does not represent the whole of the strategy for Shanxi Province's economic and social development. The draft plan worked out at the demonstration meeting provided large amounts of accurate and reliable information and valuable opinion for the study and formulation of the program for the province's economic and social development beginning in the spring of 1984. During this period, various social and natural sciences research organs and academic symposiums throughout the province held many discussion meetings on the general strategy for the whole province and strategies for departments and areas and make overall strategy. The atmosphere for the study of strategy has increasingly thickened. Experience in strategic studies has made use see that since the shift of focus in party work, many leadership comrades' guidance over economic work has switched over from general guidance to strategic guidance. This switchover has brought tremendous hopes for the revitalization of Shanxi's economy.

The proper study of strategy for economic and social development calls for the availability of strategically-minded economic work leaders in the 1980's.

Why should leaders be strategically-minded?

To put it simply, being strategically-minded represents an ability to be in charge and control the whole situation. The whole situation is chiefly made up of three parts--the advantages for the restraints on economic and social development in a given area or department; the advantages and restraints in



surrounding areas and related departments; and the trends in economic and social development in the country and throughout the world. Understanding and taking charge of the whole situation should be a dynamic and not a static process, a continuous study and not a job completed once and for all, and dialectical and not metaphysical. On the basis of such investigation and analysis, putting forth a general idea on economic and social development for a given period ahead in line with the laws of economic development is a reflection of a leader's strategic-mindedness.

Being strategically-minded is a comprehensive manifestation of a person's culture training, his knowledge, his perception and judgement of things, and his drive to make decisions. It is not something inborn but a result of education, study, and practice. To enable our leadership cadres at all levels to acquire the qualities related to strategy required in economic work in the 1980's, we must strengthen study efforts and strive to raise our level in making strategic decisions.

To improve our strategic qualities, we must master economic laws. Economic work is a dynamic entity. The relations that it involves are complicated but guided by given laws. Only by observing the economic activities of various departments in light of the whole and mastering its laws of development in operation can we exercise proper leadership over economic work. In line with the law of the relations of production being necessarily in line with the development of productivity, the law of planned and proportionate development of the national economy, the law of distribution according to work, and the law of value, every leader must study and practice strategy for economic and social development. He must continuously sum up experiences in practice, heading from the realm of necessity toward the realm of freedom.

To improve our strategic qualities, we must overcome empiricism. Experience is essential to economic work. But separated from actual conditions, experience will become "a restraint" on our actions. At present, just as in the past, some of our leading comrades often rely on experience and on racking their brains to make policy decisions on economic matters. Such a method involves a large degree of blindness. This is a manifestation of being short on strategy. Our "modernization" effort is a great and arduous cause. It is difficult to solve problems encountered in the process of construction by just relying on personal wisdom and on experience. Therefore, a decision on a strategy for economic and social development must follow a scientific and democratic road. Our leading comrades at all levels should get rid of empiricism and become science-oriented policy decisionmakers.

Strategy for economic and social development is a big project and is a general system made up of many systems. Taking charge of such a big project calls for efforts from all sides. It requires not only a rapid feedback and reliable information network but research organs capable of providing suggestions and data as a basis for decisionmaking. There is also a need for resourceful groups with good judgment and for organs highly efficient in carrying out decisions. On the basis of improving their strategic qualities, leadership cadres at all levels must establish and perfect this system as quickly as possible, so that a new situation can mark the study of strategies for economic and social development.

Strengthening the study of strategy for our province's economic and social development is a major issue confronting us. The formulation of scientific strategies for Shanxi's economic and social development bears on our province's work as a whole. With a correct strategy for development, we can accelerate the building of an energy base for heavy and chemical industries and stimulate the harmonious development of the national economy throughout the province, enabling the people of the province to head for prosperity and cutting down on the detours we are likely to make and thus avoiding heavy economic losses resulting from wrong policy decisions.

In working out strategy, we must first make serious investigations and studies and really get a good grasp of the favorable and unfavorable factors in a given area or department. This is a basis for working out a scientific strategy for economic development. The main feature of a scientific strategy is developing strong points and avoiding weaknesses. We must not only know where our strengths or weaknesses lie and their causes but also find out a way of developing strengths and avoiding weaknesses. This requires us in the process of investigation and study to switch over from the old habit of using qualitative analysis to using quantitative and qualitative analyses. Qualitative analysis is necessary, as far as objective things are concerned. But it is far from adequate. Abstract qualitative analyses represented by such adjectives as "general," "almost," "on the whole," "most," and so forth should be replaced by concrete quantitative analyses. If a county leader does not have fundamental data about the county and quantitative changes in the operation of its economy at his fingertips he cannot possibly have well founded strategic ideas. Nor can he possibly make farsighted and outstanding strategic decisions. Obviously, a quantitative change is quite important to a comrade placed in a decision making position. Quantitative and qualitative analyses helps a decisionmaker have a real understanding of the superior features of a given area or department and also avoids the wrong practice of "following an order from every new general." So long as a leader seeks truth from facts assuming a scientific attitude, he will pay attention to quantitative and qualitative analyses and to the scientific basis of policy decisions.

Second, on the basis of investigation and study, we must make analyses and comparisons. This is a main way of formulating scientific strategy for economic and social development. In working out development strategy for inland areas or departments, we must not only make comparisons between present and past conditions but also compare things with surrounding areas and related departments and with coastal areas and related departments and especially more advanced areas and departments. Further comparison with foreign areas and departments of the same type must be made. Such intensive and extensive comparisons and analyses can allow a given area's strategy to be balanced within a still wider scope and be in harmony with surrounding areas and also to draw on other areas' experiences to make strategic policy decisions more thorough, more rational, and more scientific.

Third, we must make strategic policy decisions after making comparisons and analyses. An area or department's strategy must be subordinate to and serve the whole party's general goals and tasks. Given this prerequisite, we must define a given area's strategic goals for economic and social development,

strategic priorities, and strategic steps and formulate concrete measures and various policies. We must arouse the socialist enthusiasm of the masses of cadres and people, so that they can act in concert and with the same will in the struggle for the realization of strategic goals.

With development strategy fixed, we must firmly and unswervingly carry it out. We cannot waver in its implementation. Nor can we freely make any change. Concerning what is unsuitable due to changes in objective conditions, we must in practice make further alterations and seek perfection.

The cadres of the whole province, especially leading cadres at various levels, must in the course of modernization strengthen study efforts and improve their political and professional levels. This is one of the important guarantees for the smooth progress of socialist construction. We must study hard and diligently apply ourselves in practice, so that we can turn ourselves into strategically-minded and strategically-oriented economic work leaders. Everyone of us should cherish such an ambition. (Notes: Figures for total social output value and national income were based on prices prevailing in the given year. Total industrial and agricultural output value was based on unchanged prices in 1980.)

CSO: 4006/792

## ECONOMIC MANAGEMENT

### XIAN TORN BETWEEN INDUSTRIALIZATION, CULTURE

OW050922 Beijing XINHUA in English 0900 GMT 5 Jul 85

[Text] Xian, 5 July (XINHUA)--Should this ancient capital concentrate on developing as an industrial or cultural center? Economists and scholars disagree, it emerged at a meeting which ended here this week.

The seven-day meeting was sponsored by the WORLD ECONOMIC HERALD and the Xian Economic Research Center.

Xian, also known as Changan in ancient times, has flourished for 3,000 years. During its peak in the Tang Dynasty (618-907 a.d.), its splendor and extravagance was celebrated in Chinese literature, and it was visited by diplomats and merchants from all over Asia. But some economists believe that the recent development of the Shaanxi provincial capital has been slower than other big cities, and its advantages have not been fully utilized.

They say the metropolis with a population of 5,450,000 lacks a clear strategic program and streamlined economic management system. A majority of participants at the meeting said city planners should bear in mind national economic development as well as local interests when drawing up a program.

Xue Baoding, director of the China Urban and Rural Construction Economic Research Institute, said Xian was an historical, scientific, cultural, higher educational, economic and commercial center in north-western China. Xu Yi, advisor to the State Council Economic Research Center, described Xian as a hub linking coastal regions and eastern China with the underdeveloped west. Developing new industries in Xian would help to push economic development westward.

Guan Zhou, deputy director of the State Economic Commission Economic Management Research Center, said the industrial output value of Xian totalled 6.68 billion yuan in 1984, 20 percent of the total for north-west China. Its machine-building, textile and light industries were competitive on the domestic market. Therefore, Xian should give priority to industry, while developing service trades, agriculture, science and education.

However, Luo Yuanzheng, executive chairman of the Union of Chinese Societies for Economic Studies, said the greatest advantage of the city was its many ancient relics and cultural ruins. These included the terracotta figures of warriors and horses from the Qin Dynasty (221-207 b.c.), which had been dubbed "the eighth wonder of the world".

The historical city received 151,000 overseas tourists last year, and earned 45 million yuan in foreign currency--the third highest among China's large cities. Xian also boasted more than 30 colleges with 7,200 lecturers and professors, accounting for 60 percent of the total for north-west China. Its 100 research institutes had more than 80,000 scientists. Therefore, the city should transform its traditional industries with new technologies, and make good use of its special advantages.

Chen Junmin, assistant professor from the Shaanxi Normal College, called for renovating the "Guanzhong Studio" of Ming and Qing Dynasties (1368-1911 a.d.). He suggested turning the city into a center for researching ancient culture, particularly the Han and Tang Dynasties.

The ideas will be scrutinized before making a development plan of Xian, according to local authorities.

CSO: 4020/291

ECONOMIC MANAGEMENT

BEIJING INFRASTRUCTURE IMPROVEMENT DEVISED

OW070752 Beijing XINHUA in English 0646 GMT 7 Jul 85

[Text] Beijing, 7 July (XINHUA)--China's urban development authorities have mapped out a program for improving city infrastructure to meet the needs of the socialist modernization program, according to a senior government official.

Disclosing this, vice-minister of urban and rural construction and environmental protection Chu Chuanheng said that the government would increase investment for this uprpose during the 1986-1990 period.

He deplored short supply of water and gas, waste of energy, congested traffic, lack of greenery and other such problems now pestering the cities.

By 1990, Chu said, more than 90 percent of Chinese City residents would running water, as compared with 81 percent at present. Gas would be available to over 40 percent of urban households, up from 22.4 percent now.

Cities would build 14,000 kilometers of roads and the same length of sewers which were expected to drain waste water from 70 percent of urban areas, the vice-minister said.

Bus services would receive an additional 30,000 coaches while telecommunications and protection of historical sites would be improved and landscaping expanded, according to vice-minister Chu.

CSO: 4020/291



## ECONOMIC MANAGEMENT

### CONTROLLING SCALE OF CAPITAL INVESTMENT STRESSED

HK160741 Beijing RENMIN RIBAO in Chinese 8 Jul 85 p 5

["Excerpts] from a JINGJIXUE ZHOUBAO commentator's article: "Strictly Control the Scale of Investment in Fixed Assets"]

[Text] At present it is necessary to emphasize the need to strictly control the scale of investment in fixed assets. However, this issue has not yet been really noticed by the quarters concerned. Some comrades merely emphasize the need to check inappropriate increases in the consumption funds, but fail to emphasize the need to check inappropriate increases in capital investment at the same time.

We should admit that the scale of investment in fixed assets in our country is indeed too large. Construction sites can be found everywhere. The harmful effect of an excessive scale of capital construction is that when all are vying with each other for development, none can really succeed in development, and many construction projects will have to be suspended from time to time and their construction periods will become very long. An excessive construction scale will also lead to an excessive supply of currency and a strained supply of production and livelihood materials, coupled with price rises. Practice has repeatedly proved that an excessive scale of construction will be hard to maintain.

Why has the issue of controlling the scale of construction been repeatedly mentioned in many years and yet not been thoroughly solved?

A new factor is that since the adoption of the open-door policy, some people have formed a one-sided idea, thinking that money solves everything. However, facts tell us that our construction should be based on our ability rather than on our money. The scale of construction should be commensurate with our nation's capacity, especially with our available material resources. With merely investment but without necessary materials, a construction project will not materialize.

The fundamental reason for the failure to control the excessively large scale of capital construction lies in people's blind pursuit of unrealistically high growth rates. In order to seek a high growth rate, many localities are eager to expand the scale of capital construction and contend with each other for construction projects and investment appropriations. They also pressure banks

into giving them loans, but banks cannot strictly control credit. Under these circumstances, new construction projects start one after another, but few of them can be accomplished and put into operation.

To strictly control the scale of investment in fixed assets, we should now strictly bring bank loans under control. Banks should abide by the established regulations and party committees should observe the set systems. Every quarter involved in a construction project must be held responsible. Not only the handler but also the approver should bear responsibility for the construction. We don't want to see that there are many authorities who do not bear responsibility.

In order to strictly control the scale of capital investment, we should examine the projects which are under construction. Although the present move is not an all-round readjustment of the national economy, we still need to partially readjust our capital construction. Of course, we should concretely analyze things and should not indiscriminately cut down on all capital investments.

People have been calling for curing the "disease of investment hunger" for many years, but such a disease lingers. It is a task for both theoretical workers and practical economic workers to make great efforts to find a way to cure this disease.

CSO: 4006/792

FINANCE AND BANKING

PEOPLE'S BANK OF CHINA DIRECTOR INTERVIEWED

Beijing JINGJI RIBAO in Chinese 6 Jun 85 p 1

[Special interview by JINGJI RIBAO reporter Gao Yongyi [7559 3057 3015]: "We Must Not 'Eat from the Bank's Big Rice Bowl' -- An Interview with Chen Muhua, State Council Member and Concurrently Director of the People's Bank of China"]

[Text] Since Comrade Chen Muhua, State Council member, has held the concurrent position of director of the People's Bank of China, she has advanced the following viewpoint: We must solve the problem of "eating from the bank's big rice bowl." This opinion has won acclaim in economic circles. Recently, on the issue of how to solve the problem of "eating from the bank's big rice bowl," this reporter paid a visit to Comrade Chen Muhua.

Comrade Chen Muhua has long been engaged in economic work and is a well known economic expert both at home and abroad. She says: The ideology of "eating from the bank's big rice bowl" is present not only in the units which use funds but also in the banks themselves. The former economic system made us become used to the supply system and "eating from the same big pot." Now, we have already put a lid on this "big pot" of the financial organ. However, to carry out construction, we must have funds. As the financial organ has checked our advance, some have turned to the "big pot" of the bank.

Chen Muhua continues: In developing the economy, the bank must exercise its role in raising funds, providing services and supporting construction. However, bank funds are also restricted by objective economic development, and are not "limitless." Now, some people demand that the bank offer loans without terms, without a limit on the amount, without a fixed period and without the presence of a percentage of self-owned funds. Why are these people not afraid to take out loans? It is because they have figured out a "law," and that is, the socialist bank will not force them onto the road of destruction. If things are indeed bad, the bank will simply "write off the loans." Such instances have occurred frequently over the last 30 or so years since the nation's founding. In their request for a loan, some enterprises have often presented a large number of "reasons." If the bank turns down a loan, then they accuse it of not supporting their effort to revitalize the economy and of not conforming to a certain spirit. If the bank explains why a loan cannot be given, these enterprises will not find a solution through business management but will tell the bank that the factory will close down if

a loan is not given. The bank can do nothing but submissively send the money to them. Thus, some economists have told me that, currently, the bank and the enterprise are occupying unequal positions. The enterprise has a "natural survival right." Once it begins operation, it will go on forever without taking into consideration its results. The bank, however, is in an inferior position. It can only "grant whatever is requested." This way of doing things does not conform to economic laws and is detrimental to the development of the banking cause and the national economy. We must conscientiously correct this erroneous thinking.

How should we solve the problem of "eating from the bank's big rice bowl"? Comrade Chen Muhua says: Since the state has given the bank the financial power, the bank must exercise control seriously and conscientiously. The State Council has already announced the "Loan Contract Regulations," which will be our criteria for doing our credit and loan work properly. We should vigorously publicize and conscientiously implement these regulations. In credit and loan work, we must exercise control over practices which do not conform to the relevant policies and regulations. Of course, our control should be established on the basis of good service. The bank must serve the party's principles and policies, the national economy and the broad masses of people. This is not an abstract idea. For instance, when a certain locality wants to develop a certain project, we must first of all provide information and tell the enterprise whether or not the project which it requests a loan for has any future of development or whether or not it is urgent. At the same time, we must examine the appropriateness of the amount of loans and the means to attain good economic results. We must be concerned about the business situation after the completion of a project, must recover without delay the loans on schedule, and must provide new loans if an increase of loans is truly necessary. Only in this way can we meet the demands of Comrade Xiaoping that "the bank must emphasize the economy and must truly become the lever for developing the economy and renovating technology. We must run a bank truly as a bank." Only in this way can we gradually solve the problem of "eating from the bank's big rice bowl."

9335

CSO: 4006/686

INDUSTRY

TEXTILE INDUSTRY, FASHION DISCUSSED

OW060818 Beijing XINHUA in English 0721 GMT 6 Jul 85

[Text] Beijing, 6 July (XINHUA)--Textile industry chiefs must keep in close touch with market demand for clothes and materials, today's WORKERS' DAILY quoted textile minister Wu Wenying as saying.

Shops are often overstocked with garments made from materials in unpopular or dull designs and colors, while popular items are in short supply.

Wu said a careful study of demand for clothing was essential if the problem was to be solved, and warned: "Without such a study, no enterprise can develop production smoothly."

Textile and garment production are separated as they belong to two different ministries--the textile and light industry ministries.

Wu said the industry could boost demand for ordinary cloth garments by keeping up with new fashions, patterns, designs and hues.

Industry chiefs should also study market demand for shoes, socks, waistbands and other articles worn with suits, she said. Training courses should be held in the study of fashions and market trends.

Textile colleges in Shanghai, Tianjin and Xian have set up garment departments, and several textile schools will be expanded into colleges of clothing, according to the minister.

Chinese consumers, especially young people, have become more fashion-conscious in the 1980s in a departure from the years of the "cultural revolution," when most people in urban and rural areas wore blue and grey.

Commercial officials said state firms would produce 1.15 billion garments this year. About 100 production lines for suits will go into operation in several cities.

CSO: 4020/291

INDUSTRY

BRIEFS

SEMIANNUAL STEEL PRODUCTION PLAN PREFULFILLED--China's steel production has maintained a continued, balanced, and steady growth. The state's production plan for the first half of the year has already been fulfilled ahead of time. As of yesterday, steel production reached 22.29 metric tons. It is expected that the steel production for the first half of this year will reach 23.10 million metric tons, an increase of 1.56 million metric tons over the same period last year. [Text] [Beijing Domestic Service in Mandarin 2230 GMT 24 Jun 85 OW]

CHINA'S PLASTICS INDUSTRY--China's plastics industry will develop to a greater extent during the period of the Seventh 5-Year Plan. By the year 1990, the light industrial sector will produce 3.6 million tons of plastic products, which will double the plan for 1985. This planned target for the Seventh 5-Year Plan was passed at the National Light Industrial and Plastic Materials Conference, held in Wuxi City, Jiangsu Province, in early April. According to the preliminary programs of the plans reported by the various provinces, municipalities and autonomous regions to the higher levels, the demand for plastic products throughout the country will be 5.44 million tons by 1990. The light industrial sector will supply 3.6 million tons, while the chemical industrial and ordnance sectors as well as the village and township enterprises will supply the remaining 1.84 million tons. By that time, we will have met society's basic demand for plastic products. [Text] [Beijing JINGJI CANKAO in Chinese 15 Apr 85 p 1] 9335

CSO: 4006/696

## CONSTRUCTION

### NEW PICTURE OF GUANGDONG PROVINCE PAINTED BY GOVERNOR

Guangzhou GUANGZHOU RIBAO in Chinese 15 May 85 p 1

[Article: "Governor Liang Lingguang Sketches New Map of Guangdong's Construction"]

[Text] In his government work report at the Third Session of the Sixth Provincial People's Congress, Liang Lingguang, governor of Guangdong Province, said: In implementing the open door policy, we must first build the three special economic zones of Shenzhen, Zhuhai and Shantou which are opening to the outside world, the two open cities of Guangzhou and Zhanjiang, as well as the Zhujiang Delta and Hainan Island. We will gradually institute reform and open to the outside world in a rolling manner from the coast to the interior, involving first the special economic zones, then the open cities, then the economic open zones and then the interior, in order to promote the development of economic construction throughout the province and at home, bring into play the role of demonstration for the outside world, and expand our country's political and economic influence and attractiveness internationally.

In order to realize this goal, Liang Lingguang in his report asked that we accelerate the construction involving energy, communications, telecommunications, and science and technology.

1. Accelerate the construction of energy projects. This year, the 200,000-kw generator of the Shaoguan Power Plant and the Changtan Hydroelectric Power Station will be completed. The project linking the Guangxi power network and the two loops of power transmission line from Hong Kong will also be completed. These will supply electricity to our province. We must speed up the construction, which is presently underway, of the nuclear power plant and the power plants in Shajiao and Haikou, and emphasize the work at the earlier stage of the power plants in Huangpu, Zhanjiang, Shantou and Meixian. At the same time, we must continue to develop a number of medium-sized and small hydroelectric power stations. We must strive to relax the tension of our province's electricity supply by 1990.

2. We must accelerate the construction projects involving communications and transport. This year, we must progress according to plan and complete the construction tasks for the Hengyang-Guangzhou and Guangzhou-Shenzhen multiple lines and the Sanshui-Maoming Railroad. We must step up the transformation of



the Guangzhou exit highway, improve passage capability, and solve as soon as possible the problem of traffic congestion. We must also emphasize the transformation of the Guangzhou-Shenzhen-Zhuhai and the Guangzhou-Foshan expressways and the highway trunk lines and the preparation for the construction of the Jiujiang Main Bridge. At the same time, we must emphasize properly the building of coastal harbors and the harnessing of the Xi Jiang. We must accelerate the reconstruction and expansion of the Baiyun Airport in Guangzhou, and the Haikou, Shantou and Sanya airports.

3. Construction involving telecommunications must focus on improving the rate of popularity of automatic telephones in the cities throughout the province and the improvement of telephone efficiency. At the same time, we must increase the long-distance lines both inside and outside the province. This year, there is an increase of 100,000 urban households throughout the province with direct-dial telephones. Of these, 26,000 program-controlled telephones in Guangzhou Municipality will be put in operation by June. We must complete the medium-length coaxial communications cable linking Beijing, Hankou and Guangzhou as well as the Guangzhou-Haikou microwave project. Inside the province, we will establish 1,000 long-distance communications lines, and realize direct-dial long-distance telephones between Guangzhou and the major cities outside the province, as well as in some cities and prefectures in the province and some cities and counties in the Zhujiang Delta.

4. We must develop and build a number of nascent scientific industries. In the next few years, the newly-rising industries which we will build will primarily include the computer industry, bioengineering and new materials. We must build factories which will produce large-scale integrated circuits and microcomputers, and preliminarily set up an electronics industry that takes the microcomputer as the main body and the large-scale integrated circuits as the basis, and which embodies advanced domestic standards. We must set up the Guangzhou Bioengineering Development Base which integrates science and technology and the economy as well as the Jiangmen 10,000-ton Unicellular Protein Experimental Factory. We must set up the Wushan Scientific and Technological Development Zone in Guangzhou and the Nanhai Coastal Region Resource Development Base in order to improve our province's scientific and technological level.

9335

CSO: 4006/693

## CONSTRUCTION

### PRC INTRODUCES BIDDING FOR KEY PROJECTS

HK130438 Beijing CHINA DAILY in English 13 Jul 85 p 2

[Text] Public bidding has been introduced for China's key projects to keep capital investment under control.

PEOPLE'S DAILY calls the measure a breakthrough in the country's capital construction management system.

Investment in construction projects increased 38 percent in the first five months of this year, compared with only a 6 percent rise in 1984 and a 17 percent rise in 1983.

Recently, Shouguang soda plant, with an annual designed capacity of 600,000 tons of soda, started construction after the contract has awarded through the bidding system.

Officials from the State Planning Commission and Chemical Industry Ministry said the measure was successful.

From 1983 to January of this year, three projects to build soda factories, each with a capacity of 600,000 tons a year, were proposed. To save construction funds and increase investment efficiency, the State Planning Commission and the Chemical Industry Ministry invited public bids for the project. The result is an earlier start on construction and less investment than originally thought necessary. Three provinces bid for the contract.

CSO: 4006/792

## DOMESTIC TRADE

### CREATION OF TRADE CENTERS FOR INDUSTRIAL PRODUCTS DISCUSSED

Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 3, 15 Mar 85 pp 10-12

[Article by Li Fan [2980 3879] and Cao Xueshun [2580 1331 5293], Exonomic Research Institute, Shanghai Academy of Social Sciences: "Discussion Regarding the Development of Trade Centers for Industrial Products in Shanghai"]

[Text] Trade centers for industrial products in various trades have been set up one after another and developed vigorously in Shanghai since June and July of 1984. There are now more than 20 or 30 of them. Nevertheless, we still do not have a unanimous understanding of these centers. Many theoretical and practical questions require further discussion because after all the establishment of these centers is still in the initial stages.

#### I. The Objective Basis for Developing Trade Centers for Industrial Products

China's wholesale system for industrial goods was created during a period when the commodity economy was undeveloped, goods were in tight supply and the system of private ownership was being transformed. Most commodity circulation in this kind of state commerce run by individuals is arranged according to administrative systems and areas with three levels of wholesale stations. The system has an allocation and distribution method with "three fixed" levels. It rejects participation by various economic elements, cuts off lateral relationships between areas, trades, and cities and towns, and it negates the role of market mechanisms. Corrupt practices such as too many circulation links, slow commodity circulation, low economic results, and disjointed supply and demand exist. This system is increasingly unsuited to the present situation whereby urban and rural commodity production are continuously increasing, various economic elements are engaged in industry, various circulation channels are involved in commerce, the supply of industrial goods on the market is more plentiful each day, and commercial departments face the new situation and task of opening markets and expanding sales. Therefore, in the new situation where the commodity economy is greatly developing and there are changes in the scale, structure and form of industrial production, the forms of commodity exchange must be suited to the developing objective needs of the modes of production by reforming the current wholesale system, developing trade centers for industrial products, allowing various industrial and commercial enterprises to trade, doing away with buying and selling by administrative levels and the unitary way of doing business, and establishing new forms of commodity circulation that are open, have many channels and few links.

Central cities are the foci of social and economic activities; they are pivots for the surrounding urban and rural economies. Circulation is the "blood" of the urban economy; it is a bridge horizontally linking specific areas and enterprises. Marx pointed out that "commerce is dependent upon urban development and urban development must have commerce as a factor." Therefore, the development of trade centers for industrial products and the formation of an unimpeded circulation network that extends in all directions between cities and towns and regions, with vertical and horizontal crisscrosses, is also an objective requirement of developing the central cities' pivotal function in the circulation of goods.

Shanghai has historically been China's largest economic and trade center. One important factor in the contemporary meaning of the largest trade center is that Shanghai has many wholesale markets and exchanges that can attract merchants in various trades who are engaged in the large-scale exchange of goods. At the same time, these exchanges have many agents and brokers (also called intermediaries and middlemen). Just after liberation Shanghai had 20 or 30 wholesale markets and exchanges and 60 or 70 tea party sites for negotiating, more than 30 of which were rather large tea houses. Every exchange generally had several score to several hundred intermediaries and middlemen who introduced business on both sides. There was a certain amount of speculation on the part of these trade markets, intermediaries and middlemen, but they also had the capacity for strongly organizing trade and expanding circulation. Due to the influence of "leftist" ideology in the past, these agents' negative functions were stressed more and less consideration was given to their positive role. This went as far as forcing them out of business during the course of transforming private ownership. From the present viewpoint, it is worth studying whether they had to be thoroughly destroyed at the time. The transformation and vigorous development of Shanghai has now become an overall strategic task. Shanghai's urban functions must be greatly strengthened and we must energetically develop the tertiary industries so as to better serve the construction of the entire state economy. Therefore, developing trade centers for industrial goods and turning Shanghai into China's largest trade center are requirements of transforming and vigorously developing Shanghai.

## II. The Qualities and Functions of Trade Centers for Industrial Products

Trade centers have a broad and a narrow meaning. The broad meaning refers to the pivotal role of a city's trade function in the nationwide circulation of goods. The narrow meaning refers to organizing the circulation of goods. It is a means of and site for developing this pivotal role. The latter will be discussed here.

Currently there are three general types of trade centers for industrial goods in Shanghai. One is the management type, in which the center itself is a management enterprise or a joint management entity. Another kind is the dual management and service center. The third is a service enterprise, where the trade center is an organization that provides a site for trading and various services. Corresponding to these three kinds of trade centers are some that basically are sites for business or united sales departments of industrial and

commercial enterprises. Some are like trade and investment companies and others are wholesale markets or exchanges. In the end, what form should a trade center for industrial goods take and what should its functions be? To answer this question we first have to make an analysis from the ideology guiding the development of such a center.

As stated above, the development of trade centers for industrial products is a new trend suited to the needs of China's greatly developing goods production, the reform of the wholesale system, the establishment of new forms of commodity circulation, the development of the trade roles of central cities, and the promotion of China's rapid economic development. Therefore, the newly developed trade centers for industrial goods should be different from the present wholesale system as well as its entire organization and functions. With reference to the problems and corruption in the extant circulation system, newly established centers should have the following three characteristics: 1) They should be able to attract various economic actors from their own cities and elsewhere, and buyers and sellers from various circulation channels, to come and sell their goods wholesale. They should not be "exclusive," thereby destroying state-run commerce (or industry) and individual businesses. 2) They should have broad lateral commercial ties and form a circulation network that reaches in all directions and is vertically and horizontally crisscrossed, thereby altering the old situation where areas were locked and carved up and there were contradictions because of administrative barriers. 3) They should bring market mechanisms into full play: Market prices in particular must have a certain amount of flexibility, which should stimulate commodity circulation.

We hold that trade centers for industrial goods bring market adjustments into full play. They are a kind of economic organization that arranges the flow of goods. They are sites for producers and businessmen to engage freely in large-scale wholesale trade. At the same time, they are service organizations with independent accounting and responsibility for profits and losses. This is because: 1) To admit businessmen from various trades into the exchange, strengthen lateral relationships, and fulfill the function of being circulation centers that attract myriad businessmen, link city and town and domestic and foreign markets, keeping those nearby happy and drawing from afar, trade centers for industrial products must take as their prime responsibilities market adjustments, organizing the flow of goods, and providing better service. 2) We must turn trade centers into service organizations because they do not directly engage in wholesaling. Only in this way can we break away from the limitations imposed by the economic interests of departments and the enterprise itself and avoid "exclusiveness" in business. To increase the attractive power of the trade centers, we must also allow them to concentrate their efforts and do service work. 3) The service type of trade center is broader, more concentrated and diversified than other kinds of centers in terms of business partners, kinds of goods, and ways of doing business. It is relatively easy to motivate each side and make goods circulate while handling relationships between industry and commerce and among merchants and localities. Conversely, in a management-type of trade center for industrial goods, one possible center is a wholesale company that is a merger of commercial stations and companies or a consortium of several companies. If this kind of trade

center jumps past the "center" and sells directly, it will not be well received by other industrial and commercial enterprises that come to it to engage in trade because of the conflict of economic interests. Therefore, it will still be a system, a channel, or a one-family enterprise (similar to the management-type of trade center run by industrial departments). Another possible trade center is a wholesale organization run side-by-side with commercial companies. This is a situation where two wholesale organizations get together commercially prior to the merger of stations and companies. Many business contradictions can emerge here because both sides vie for supplies of goods and clients. In the above situation it is difficult to unite the various parties, work as one, and develop the trade center's proper role.

The nature of a trade center for industrial goods determines its functions. According to the nature as stated above, we hold that trade centers for industrial products should generally have the four functions of organizing business, coordinating relationships, exchanging information, and providing services.

1. Organizing trade: This means that trade centers for industrial products attract traders from various economic elements and many circulation channels and use various methods of doing business via cordial cooperation and close contact with the industrial and commercial enterprises in various areas and relevant trade centers (or wholesale markets). The centers also provide sites, facilities and services to both sides to negotiate sales and purchases, exhibit samples, handle business, and transmit information as well as hold various business meetings. Trade centers must strengthen both local and more remote economies, and strive to invite the rich and influential industrial and commercial enterprises that are the major sources of supplies to do business and be their sponsors. At the same time trade centers can develop a group of brokers to be their main force as needed. Because the centers engage in market regulation they have a rather broad scope for business. In dealing in goods, except from those allocated according to the state's directives, the rest that fall under guidance planning and market regulation can be freely bought and sold on the market. In the future the scope of business will be enlarged as the production of goods allocated under planning shrinks. In terms of modes of business, in addition to spots, futures or contract forms of large-scale business that play a larger role in organizing production can also be adopted.

2. Coordinating relationships: Trade centers are sites for bringing together commodity production and sales, supply and demand, and various economic interests. Centers must be based upon self-reliance and be closely coordinated with trade associations, do coordinating work, and promote the smooth development of production and circulation. For example, in order to meet changing market demands, trade centers can consult with their rich and influential industrial and commercial enterprises about increasing the production of goods that sell well and measures for buying goods from suppliers in various areas. When supply exceeds demand and prices fall too low, the centers can work in concert with the relevant wholesalers and ask commercial departments to purchase some goods at a price suitable to protecting producer interests. With reference to the economic interests of industrial and commercial merchants and

areas, the centers can promptly inform relevant departments of developments and ask the departments controlling industry, commerce, taxation, finance, and prices to utilize economic measures, pricing and goods and materials levers in particular, as regulators, and to allow for coordinated development and a reasonable arrangement of economic interests all around.

3. Information exchange: Trade centers are important originators and compilers of market information. Their information departments are the bases and "cellular organizations" of the economic information centers run by large cities. Information exchanging refers to collecting, compiling, classifying, analyzing and transmitting market information. Major information-related tasks of trade centers include publishing market information, noting developing trends in the exchange of goods, guiding business management and providing this information to businessmen in various trades for reference. At the same time another important task of the centers is to provide advice and conduct research on short- or long-term market pricing and demand estimates for industry and commerce in various areas based on analyses of the data. In addition, the centers must also feed back market information to industrial departments in a timely manner and urge industrial enterprises to increase production of goods that sell well and of new products, and make production better conform to consumer demand.

4. Providing services: Providing service is essential to trade centers; it is also the basis for developing the above three functions. Thus, organizing trade requires providing services. Coordinating relationships and trade information are true services. In addition to its major role as purchasing agent, a center's services should also include food, lodging, transportation and livelihood, posts and telecommunications, finance and insurance, storage and transportation, consulting, contract notarizing, and legal services. Excellent livelihood and trade conditions must be created for businessmen in various trades to solve their "fear of problems from the rear." We must therefore make trade centers very attractive and prosperous, places that flourish foreverwhere "myriad businessmen converge." At the same time centers can also charge certain fees for services, practice independent accounting, and be responsible for profits and losses.

### III. Several Issues Requiring Further Exploration

#### 1. Questions Concerning Understanding the Industrial Products Trade Centers' Prospects for Development

Presently trade centers for industrial goods are being developed under conditions where the original wholesale system has not been thoroughly reformed, where there is an ample supply of most industrial goods, and where few industrial goods are in short supply on the market. Some comrades wonder, for instance, whether trade centers can handle it if wholesale and retail enterprises nationwide converged on them to order some of Shanghai's many hot-selling commercial goods. Other comrades are worried that if the industrial sectors do not market their products, where will the trade centers get goods to trade, and if they do market their products, how will price contradictions



be dealt with. And how will industrial and commercial relationships be handled? We believe that these concerns are a reflection of current contradictions in the thinking about economics and livelihood. The existing questions can be gradually solved following China's rapid economic development and the continued reform of China's economic system. The development of trade centers must be studied from the viewpoint of China's economic development trends into the 1990s and the prospects for reforming the economic system. If we establish service-types of trade centers with their major efforts concentrated on opening markets for businessmen in various trades, expanding sales and providing services, and if we also implement price reforms that enable price fluctuations and are relatively flexible, then the trade centers' business must grow more and more prosperous and will have broad prospects for development.

## 2. Questions Concerning the Leadership of Industrial Product Trade Centers

Most of the present trade centers are run and led by departments of industrial and commercial enterprises. Contradictions with other units occur readily because these business departments are producers or managers of goods and the trade centers that they run are likely to favor their own economic interests. Therefore we hold that trade centers for industrial goods must be guided by responsible departments of city governments such as trade commissions. Only then can they have an overall viewpoint and develop their pivotal role of organizing circulation. Second, for the trade centers to properly coordinate relationships, they must have the support of the relevant economic management departments and possess a certain degree of authority. Next the trade centers must also be guided by those in charge of the city governments to develop their proper roles.

## 3. Questions Regarding Price Management in Industrial Product Trade Centers

Trade centers are the effective organizational forms for regulating markets within circulation areas. As the state's command planning gradually diminishes and guidance planning correspondingly grows, the trade centers' scope of regulating markets will grow. Many extant trade centers for industrial products lack the proper price flexibility. Thus, trade centers should boldly develop pricing duties. At the same time the market's business prices must reflect difference in product quality, seasonal differences and varietal differences. The prices of rather important goods can be floated to a certain degree on the basis of standards set by the state. In sum, flexible and malleable prices are the soul of trading. If prices are rigid business cannot flourish and trade centers for industrial goods cannot truly develop.

## 4. Questions Regarding the Establishment of a Corps of Middlemen in Industrial Product Trade Centers

We hold that when the historical experience of middlemen in charge of commercial and administrative departments in Shanghai just after liberation is considered in the light of the contemporary practical situation, the establishment

of a new corps of brokers (i.e., intermediaries) that serves organization and circulation may contribute to enlivening markets and organizing circulation. If we have a specialized corps of reliable brokers, fewer sales organizations and salesmen are needed and we can change the situation where purchasers "cover the ground." The specialized corps should be an important part of today's developing tertiary industries. In the past most brokers were speculators to some extent. The new kind of socialist broker naturally cannot engage in such negative practices; he must have certain qualities and attributes. For example, he should adhere to a correct business ideology, possess business virtue, rich experience, and an excellent service attitude as well as strong organizational and activity-related skills. Industrial, commercial and administrative departments must have a system of registering brokers, and trade centers for industrial products must strengthen their broker guidance and supervision. Some relevant management regulations should be formulated to fully exploit the positive roles of brokers. At the same time under certain conditions brokers' associations can be organized, and organizational training can be provided to enable brokers to better serve socialism.

12615

CSO: 4006/641

## LABOR AND WAGES

### WAGE REFORM INVOLVES MORE THAN A PAY RAISE

Beijing GONGREN RIBAO in Chinese 10 May 85 p 3

[Article by Li Tianzhu [2621 1131 2691] and Han Wei [7281 0251]: "Wage Reform Is Not Simply Pay Increase"]

[Text] We often hear the following remark: "There will be a wage reform this year, and this will mean more money." We can understand the hope of these comrades for a wage reform. However, the understanding of the wage reform as a pay increase is onesided.

First of all, to regard wage reform purely as pay increase indicates an incorrect understanding of the content of the wage reform. In his "Government Work Report" at the Third Session of the Sixth NPC, premier Zhao Ziyang pointed out: "The focus of the wage reform in 1985 is to reform the existing irrational wage system, gradually eradicate the egalitarian malpractice of eating out of the 'same big pot' in wage distribution, and preliminarily set up a new wage system that can embody in a better manner the principle of distribution according to work."

For a variety of reasons, many malpractices exist in the existing wage system in China. For instance, the state stipulates in a unified manner grade determination and promotion for staff members and workers. The income of the enterprise leadership and staff members and workers will not be affected by the business, good or bad, and by the gains or losses of an enterprise. We have not yet been able to appropriately widen the difference in wage grades in accordance with the contributions--big or small--of the individual to the state. We have not properly persevered in the principle of rewarding the diligent and penalizing the lazy or rewarding the outstanding and penalizing the inferior. We have not fully realized the distinction between the value created by complex labor and that created by simple labor. In addition, the various localities and various units have numerous and complicated wage criteria and a relatively confusing wage system. Thus, the party Central Committee and the State Council have decided that, in carrying out this wage reform, the state organs and professional units must implement the wage system with functional wage as the key, so as to closely link the wages of the cadres and staff members and workers with their own duties, responsibilities and labor performance. The enterprises under the system of state ownership which are equipped to do so must gradually implement the method of letting the wage

bill of the staff members and workers float with the enterprise economic results, and properly link up the wages and bonuses of the staff members, workers and business personnel with the economic results of the enterprise and with the contributions--big or small--of individuals. This is the basic content and focus of the wage reform this year. Indeed, through this reform, the wage level of the staff members and workers will definitely improve. The wages of most people will increase to varying degrees. However, this increase is based on the labor results of every individual and not on average pay increase or unprincipled satisfaction for all.

Second, to regard wage reform simply as pay increase, one will easily use the amount of money increased to measure the results of the reform. This will lead to excessive demands which will not conform to the reality of this reform. Socialist wage is a form of socialist distribution. It must necessarily be closely linked and well coordinated with production, exchange and consumption. From the high plane of macroeconomics, the margin of increase of the wage bill in society must be carefully restricted by the speed of development of social production and economic results. It must be smaller than the margin of increase of labor productivity. Only in this way can we guarantee the increase in social accumulation and the realization of the expansion of reproduction.

Third, to regard wage reform simply as pay increase, one might focus one's vision on money and ignore ideological and political work, and therefore may have difficulty realizing the fundamental goal of this reform. Our purpose in carrying out wage reform is to better mobilize the workers' enthusiasm and enable them to concern themselves with the results of labor on the basis of material interest and do the best they can to create greater and better material wealth and spiritual wealth for society. To attain this, we must strengthen ideological and political work in the wage reform.

The reform of the wage system is one of the two foci of this year's reform of the economic system. This work embraces major significance, involves a broad area and is tantamount to policy. We must conscientiously study well the spirit of the Third Session of the Sixth NPC, lead the broad masses of staff members and workers to fully understand the purpose, meaning and prospect of this wage reform, and guarantee the smooth progress of the reform.

9335

CSO: 4006/669

LABOR AND WAGES

TAXATION OF OVERTIME PAY DISCUSSED

Beijing GONGREN RIBAO in Chinese 12 May 85 p 3

["Response to Readers" Column: "Should We Pay Tax on Overtime Pay?"]

[Text] Comrade editor:

Recently, our factory had an urgent production task. Some group and team workers were frequently working overtime. When overtime pay was issued in the factory, some comrades said that overtime pay was a kind of bonus and should be taxed. Other comrades held a different view. Is overtime pay a kind of bonus and should it be taxed? Hope to hear your response.

Dai Zhongwen [2071 6850 2429] of Henan.

[Editor's reply:] Comrade Dai Zhongwen:

In regard to your question of whether or not overtime pay should be taxed, we have visited the General Tax Bureau under the Ministry of Finance. The response is as follows:

As regards the issuance of overtime and overtime pay for the state-run enterprises, the State Council issued on 8 April 1982 the "Notice On Strictly Prohibiting the Indiscriminate Issuance of Overtime Pay by Enterprises." The notice clearly pointed out that: "Under normal circumstances, enterprise units should not issue overtime. Overtime can only be utilized only when the following conditions exist: (1) When continuous production, transportation or business is necessary on legal holidays and public holidays; (2) when maintenance and repairs must be carried out on legal holidays or public holidays, when production is stopped; (3) when rush repairs are necessary due to temporary breakdown of production facilities, communications and transportation lines and public facilities; (4) when rush repairs are necessary due to serious natural disasters or other disasters, which pose serious threats to the safety and health of the people and state assets; (5) when we must fulfill the urgent tasks of national defense or when we must fulfill other urgent production tasks outside the plan which are arranged by the higher level, as well as the urgent tasks for the commercial and supply and marketing enterprises of procuring, transporting and processing agricultural sideline products during the brisk season."

The notice also pointed out that, in implementing overtime under the abovementioned situations, we must first of all consider the physical and mental health of the workers and the balanced production of the enterprise and carry out examination and approval procedures with the consent of the trade union organizations at the same level. The power over examination and approval will be studied and determined by the various provincial, municipal and autonomous region people's governments and the various ministries of the State Council. The notice also explained the issuance of overtime pay: "After overtime on legal holidays is given, overtime pay will not be given if equal time off can be given. If time off really cannot be arranged, then overtime pay should be issued." If the overtime pay conforms to the abovementioned regulations, then it is not considered a bonus. The problem of tax does not exist either.

However, since the state has implemented bonus tax, some enterprise units have far stretched the meaning of "overtime pay." Some enterprises have invented all sorts of names to evade bonus tax. For instance, some have not changed their 8-hour work system. However, due to the progress in technology, the improvement in output, the lowering of cost and the increase in economic results, these enterprises have used the surplus portion of the enterprise production quota as "overtime pay" or "overtime subsidy" for workers. This is a bonus in disguised form. In accordance with the "Provisional Regulations on Bonus Tax for State-Run Enterprises" issued by the State Council in 1984, this overtime pay (or subsidy) in disguised form belongs to the scope of bonus tax.

Summing up the above, overtime pay that conforms to state regulations is not taxable. The so-called "overtime pay" that exceeds the relevant state regulations must be subject to bonus tax according to relevant regulations.

9335

CSO: 4006/669

## TRANSPORTATION

### LIAONING PORT LAUNCHES BIG DEVELOPMENT PLAN

OW060820 Beijing XINHUA in English 0808 GMT 6 Jul 85

[Text] Shenyang, 6 July (XINHUA)--Authorities in Yingkou Port, Liaoning Province, plan to spend 210 million yuan to improve local infrastructure over the next three years, Major Xu Shilian said today.

Water shortages, jammed roads and overloaded telephone exchanges have been hampering the port's development in recent years, Xu told XINHUA.

Yingkou was opened to foreign vessels last September with the approval of the state council.

In March, the state council authorized the city to hold external business talks, import equipment and use foreign funds.

Between March and June this year, the port handled 330,000 tons of cargo, including corn, sorghum, talc and magnesium ore for export, and imported iron and steel, fertilizers and other bulk goods. The figure was 80 percent more than in the same period last year.

To further alleviate the strain on the neighboring Port of Dalian--where 20 to 30 vessels are often waiting to unload--Yingkou plans to build three new berths, expand its storage and other port facilities.

The annual handling capacity of the port will rise from 800,000 tons this year to 2,500,000 tons by 1990, said the mayor.

A waterworks is being built to increase the port's water supply from 80,000 cubic meters daily to 200,000 cubic meters.

An airport will be built in the 1986-1990 period, and roads linking harbors with the city proper are being widened.

Yingkou has also ordered a program-controlled automatic telephone switchboard to accommodate 10,000 lines, which will link the city with international telecommunications.



Other schemes about to be started include the construction of a main sewer, a gas plant, a central heating project, residential housing with a floor space of 150,000 square meters and three commercial streets.

CSO: 4020/291

## TRANSPORTATION

### NUMBER OF ELECTRIFIED RAILWAY LINES INCREASED

HK110321 Beijing CHINA DAILY in English 11 Jul 85 p 2

[Text] China plans to increase its electrified railway lines to 10,000 kilometers from the present 2,300 by 1990 and replace steam engines with electric and diesel ones.

And the newspaper ECONOMIC INFORMATION reports that by the turn of the century electric track will run for 20,000 kilometers.

In the past, electrification was concentrated on southwest China's mountainous area, such as the lines between Baoji and Chengdu, Chengdu and Chongqing, Xianghuan and Chongqing, Guizhou and Kunming.

Several electric lines are under construction in North China, covering the routes between Beijing and Qinhuangdao, Taiyuan and Jiaozuo, Taiyuan and Datong and Datong and Qinhuangdao.

The plan to electrify the lines between Beijing and Guangzhou, Lianyungang and Lanzhou, and Yingtan and Xiamen is under preparation.

During the Seventh Five-Year Plan (1986-1990), the Railway Ministry and local authorities will jointly build nine railway lines with a total length of more than 1,200 kilometers.

In addition, local authorities and industries will construct 2,000 kilometers by raising their own funds, including an 800-kilometer railway line between Jining and Tongliao in Inner Mongolia Autonomous Region.

Five local lines with a total length of 706 kilometers will be built in northeastern China running between Haicheng and Youyan, Tuman and Huichun, Nenjiang and Heibaoshan, Suiyang and Laoheishan and Beian and Heihe.

The newspaper also reported that trains are hauling more and running faster. In 1982, the Railway Ministry proposed that freight trains should haul 5,000 tons of goods. Not long after, freight trains started hauling 7,000 tons between Shanghaiguan and Shenyang, and Datong and Qinhuangdao.

CSO: 4020/291

TRANSPORTATION

CAAC PLANS IMPROVEMENTS IN CIVIL AVIATION

OW131040 Beijing XINHUA in English 0909 GMT 13 Jul 85

[Text] Beijing, 13 July (XINHUA)---Dozens more airplanes are expected to go into service this year to ease the strain of China's air transport, according to the civil aviation administration of China today.

Included are two A310-200 Airbus that is [as received] to arrive in Shanghai at the end of June. It will be used mainly on such major routes as those from Beijing to Shanghai and from Beijing to Guangzhou.

At present, the paper reports, passengers have difficulty booking tickets one or two days in advance.

Other measures CAAC will adopt include increasing the utility rate of airplanes, improving navigation and communications facilities and rebuilding airports.

Work has been started on airports in Beihai and in the Guangxi Zhuang autonomous region, Dalian in Liaoning province and Changchun in Jilin province.

CAAC authorizes localities to run aviation companies. Xiamen, Yunnan, Xinjiang and Heilongjiang have already received approval.

CAAC launched a good-service emulation drive early last month in six principal airports.

CAAC has 24 international and 183 domestic routes. They chalked up 567.68 million tons/kilometers in the first half of this year, accounting for 56.8 percent of the year's quota and 54.6 percent more than in the same period of last year.

CSO: 4020/291

TRANSPORTATION

PRC'S OCEAN SHIPPING DISCUSSED

OW152029 Beijing XINHUA in English 1753 GMT 15 Jul 85

[Text] Beijing, 15 July (XINHUA)--China's merchant fleet ranks ninth in the world in terms of tonnage, according to Sunday's overseas edition of the PEOPLE'S DAILY.

Including chartered ships, the Chinese merchant navy totals 14.4 million dwt, the paper said.

Lin Zuyi, vice-minister of communications, told the PEOPLE'S DAILY that, as a result of the policy of opening to the outside world, there has been an upsurge in maritime freight business.

The fleet includes container, refrigerator and ro-ro [as received] ships, suitable for multiple forms of transport, the vice-minister said.

Chinese ships call at more than 600 ports in 150 countries and regions.

Since last year, Lin Zuyi said, China has opened container shipping services to Japan, the United States and Australia.

Under the principle of equality and mutual benefit, the China Ocean Shipping Company, which oversees maritime transport, set up seven joint operation firms in Japan, the Netherlands, Kenya and Hong Kong in 1984, and plans joint-operation and agent services in the United States and the Federal Republic of Germany this year.

China will send technicians to study in foreign countries and update its fleet in cooperation with foreign countries, the vice-minister said.

CSO: 4020/291

TRANSPORTATION

BRIEFS

DEEP-WATER WHARF OPENS--Shenzhen, 3 July (XINHUA)--A second wharf capable of accommodating 10,000-dwt ships was inaugurated today at a ceremony in the Shenzhen special economic zone in Guangdong Province. The wharf at Chiwan Harbor, 20 nautical miles from Hong Kong and 80 nautical miles from Guangzhou, has three berths for ships of 10,000-dwt, 5,000-dwt and passenger liners, respectively. It will increase the annual cargo volume of the harbor to one million tons. It has also extended the total length of docks to 464 meters, which can handle three 10,000-dwt ships at one time. The first deep-water wharf at the harbor was put into use in June 1983. [Text] [Beijing XINHUA in English 1847 GMT 3 Jul 85]

RAILWAY TRANSPORTATION RECORD--Beijing, 10 July (XINHUA)--The Ministry of Railways today reported a record amount of passengers and freight carried in the first six months of this year. Chinese railways carried 590 million passengers between January and June, an increase of 10 percent over the same period last year, and transported 630 million tons of cargo--up 4.9 percent. The ministry said current economic policies had enabled many peasants to move from the countryside to towns and cities to open shops and engage in other businesses, thus adding extra volume to the railways. More than 14,000 extra trains had been laid on to carry the extra passengers, according to the ministry. The trial-run of combined trains drawn by two locomotives on a number of lines, and rational dispatch of trains had helped raise transport capacity. In addition, the number of rail accidents in the first six months dropped by 53 percent compared with the first half of last year. [Text] [Beijing XINHUA in English 1446 GMT 10 Jul 85]

CSO: 4020/291

## HONG KONG ECONOMIC TRENDS

### RECLASSIFICATION OF HONG KONG'S BANKING INSTITUTIONS DISCUSSED

Hong Kong JINGJI DAobao in Chinese 3 Jun 85 p 1

[Editorial: "Hong Kong's Banking Institutions Should Be Reclassified"]

[Text] The three-level structure of Hong Kong's banking business which we began to implement in 1982 will soon be replaced by a new classification. The Bank Supervisory Department of the Hong Kong Government has taken into consideration the opinions of the banking business and consulted the experience of Singapore, and has accordingly advanced a proposal on the reclassification of the banking institutions. It is reported that the new banking structure will still be made up of three types of institutions. The existing licensed bank and the registered savings company will remain unchanged, except that the licensed savings company will have a new title, which may be called a wholesale bank, or an overseas bank, or a wholesale merchant bank.

Perhaps some people will feel that too many changes have occurred in the banking business in the last 4 years. However, in light of the reality of the finance market, we should say that the reform on this occasion is necessary.

We cannot deny the fact that the three-level system in the banking business which we implemented 3 years ago has played a definite role in stabilizing the finance market and promoting banking development. However, we must also be able to see that many problems exist in the present method of classifying banking organizations. One problem is the inappropriate name, which is not "suggestive" enough. The worst stroke is that the "licensed" and "registered" savings companies are extremely confusing. A more serious problem is that the various types of banking organizations have attended to trifles to the neglect of essentials and have thus had difficulty attaining the expected results. According to the original conception, the implementation of the three-level system in banking business is for the purpose of instituting division of labor and mutual support in the banking business in order to bring about a more complete banking service. However, because the criteria for classification do not take the business characteristics of the various types of organizations as the key, but rather focus on the amount of capital of the various types of organizations as well as on the distribution of the market for the savings business, we have been unable to fully attain our expected goal. For instance, currently, the various types of banking organizations are all still

involved in the business of the merchant bank. Some people maintain that if the reputation of the registered savings companies had not been sullied in the last 2 years, the licensed savings companies might have disappeared in the three-level banking system. (The reason they have not disappeared is because the large-scale registered savings companies have applied for "promotion" in order to improve their reputation.) Thus, we can see that there is a necessity for the reclassification of the existing banking organizations.

The issue that Hong Kong banking circles are most concerned about recently is of course one relating to the strengthening of supervision and control over the banking business. The Banking Supervisory Department suggests that the revision of the definition of the ratio for floating assets and implementation of the system of the ratio between capital and risk assets are also the main contents for strengthening supervision and control. To protect the interests of the depositors, it is entirely necessary to implement the abovementioned two ratio systems. However, prior to the implementation, we are again confronted with the difficult problem of whether to implement unified criteria on all the banking institutions or fix different criteria for different types of institutions. From the angle of supervision and control, implementing unified criteria is simple and convenient. However, it will both assault some banking institutions and affect the out-of-town businesses. This is because, having a relatively small amount of capital, the banks with foreign capital must suppress the increase of assets in order to conform to the stipulated criteria. Implementing different criteria will involve the contradiction of having to carry out classification according to the business characteristics of the different institutions without an existing corresponding structure for classification. That is to say, in order to guarantee the goal of strengthening supervision and control without affecting business development, we must change the banking structure.

Superficially, the change from the old to the new classification only involves the name of the licensed savings companies. In reality, however, it is not so. Reportedly, the "proposal" puts forth the following: The new banking institutions are prohibited from accepting savings from the public. They can only rely on the market for loans, the parent company or the associated bank for appropriation, or on the capital which they prepare for themselves in running a credit and loan business. However, they will not be restricted by the terms of multifund supervision and control, which include the restriction by the rate of floating assets and the rate of risk assets. The registered savings companies will be limited to operating mainly consumer credit and loans, and the criteria for the two rates will be lower than the licensed banks. That is to say, the new classification criteria have obviously shifted toward taking business characteristics as the basis. Thus, it can be estimated that the reclassification will definitely not involve simply the change of title of the present licensed savings companies, but will involve a relatively large-scale reshuffling: In order to avoid the "rate" restriction on business development, the licensed banks which primarily handle wholesale business may give up their qualification as licensed banks and choose to join the ranks of wholesale banks. The registered savings companies which primarily handle the wholesale business may also be "upgraded" for the same reasons. If



such is the case, then the strength of the Hong Kong wholesale merchant bank business will become obviously strengthened and the competition among the retail bank business will hopefully be relaxed.

The proposed Hong Kong banking structure does indeed give a vague impression of Singapore's banking structure. Through comparison, we can see that the licensed banks in Hong Kong are equivalent to the fully licensed banks in Singapore's commercial banks. Hong Kong's registered savings companies also hold the same position as Singapore's financial companies. Hong Kong's new-type banking institutions are functionally equivalent to the limited licensed banks, overseas banks and security banks in Singapore's commercial banks. Singapore is known for its strict supervision and control. However, it is extremely generous in its supervision and control over the overseas banks and security banks: Besides not demanding reserve, it also does not put the security banks under the restriction of bank regulations and financial company regulations (simply under the supervision of the financial management bureaus in banking business). In addition, it does not fix a lowest amount of capital. It seems that these are what the concerned authorities in Hong Kong can consider in setting the criteria for classification of the wholesale security banks.

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